

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2013**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Round Valley Unified School District No. 10  
Springerville, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Round Valley Unified School District No. 10, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Round Valley Unified School District No. 10 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11 and the budgetary comparison information on page 40 – 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Round Valley Unified School District No. 10's basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Governing Board  
Round Valley Unified School District No. 10

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of Round Valley Unified School District No. 10'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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Round Valley Unified School District No. 10's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
February 18, 2014

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

As management of the Round Valley Unified School District No. 10 (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, 2013.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$35,346,229 (net position).
- ◆ The District's total net position decreased by \$1,518,792.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,724,905, a decrease of \$303,128 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,837,703, or 67 percent of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is 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.

**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 useful indicators of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government'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 the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are principally supported by 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 Management's Discussion and Analysis (MD&A).

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**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 can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- ◆ *Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 ten 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, Bond Building Fund, and Debt Service Funds which are considered to be major funds. Data from the other seven 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 accomplishing budgetary control. Encumbered amounts lapse at year-end. An annual budget of revenue 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 14 - 19 of this report.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

- ◆ *Proprietary funds.* The District maintains an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for District operated programs that provide goods or services to its departments or schools on a cost-reimbursement basis.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the District Services Fund.

The basic proprietary fund financial statements can be found on pages 20 - 22 of this report.

- ◆ *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary funds include the student activities and insurance funds reported as agency funds. Agency funds are custodial in nature and do not present results of operations or a measurement focus.

The basic fiduciary fund financial statement can be found on page 23 of this report.

#### **Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 24-39 of this report.

#### **Government-Wide Financial Analysis**

##### **Net Position**

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 exceeded liabilities by \$35,346,229 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects the net investment in capital assets (e.g., land, buildings, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. 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 obligation to citizens and creditors.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

A summary of the District's Statement of Net Position is as follows:

**Table A-1  
The District's Net Position**

	Governmental Activities	
	2013	2012
Current and Other Assets	\$ 9,077,434	\$ 9,806,012
Capital Assets	34,820,219	36,031,514
Total Assets	<u>43,897,653</u>	<u>45,837,526</u>
Noncurrent Liabilities Outstanding	1,183,688	1,023,195
Other Liabilities	7,367,736	7,949,310
Total Liabilities	<u>8,551,424</u>	<u>8,972,505</u>
Net Position:		
Net Investment in Capital Assets	27,833,999	29,093,321
Restricted	1,762,277	2,006,141
Unrestricted	5,749,953	5,765,559
Total Net Position	<u>\$ 35,346,229</u>	<u>\$ 36,865,021</u>

**Change in Net Position**

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net position. Overall, net position decreased by 4.1% or \$1,518,792 during the current fiscal year.

Key elements of this decrease are as follows:

**Table A-2  
Change in Net Position**

	Governmental Activities		
	2013	2012	Percent Change
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 525,315	\$ 498,003	5.5 %
Operating Grants and Contributions	1,511,719	1,404,975	7.6
General Revenues:			
Property Taxes	8,226,630	7,918,083	3.9
Grants and Contributions Not Restricted to Specific Programs			
State Equalization and Additional State Aid	373,431	322,575	15.8
Federal Aid	486,443	547,474	(11.1)
Investment Earnings	120,262	54,809	119.4
Other	51,559	239,513	(78.5)
Total Revenues	<u>11,295,359</u>	<u>10,985,432</u>	2.8

*Continued*

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

*Concluded*

	Governmental Activities		
	2013	2012	Percent Change
<b>EXPENSES</b>			
Instruction	\$ 6,149,660	\$ 6,646,097	(7.5)%
Support Services:			
Students	856,344	1,067,861	(19.8)
Instructional Staff	329,133	381,316	(13.7)
General Administration	321,153	324,732	(1.1)
School Administration	378,632	426,185	(11.2)
Central Services	341,483	438,798	(22.2)
Operation and Maintenance of Plant	2,440,235	2,273,786	7.3
Student Transportation	782,124	862,039	(9.3)
Operation of Noninstructional Services	758,753	1,101,628	(31.1)
Interest on Long-Term Debt	456,634	333,373	37.0
Total Expenses	<u>12,814,151</u>	<u>13,855,815</u>	(7.5)
<b>CHANGE IN NET POSITION</b>	(1,518,792)	(2,870,383)	(47.1)
Net Position - Beginning of Year	36,865,021	39,735,404	(7.2)
<b>NET Position - END OF YEAR</b>	<u>\$ 35,346,229</u>	<u>\$ 36,865,021</u>	(4.1)%

Program revenues, which consist of charges for services, and operating grants and contributions increased from the prior year by \$134,056. This increase was mainly due to an increase in federal and state grants.

General revenues increased overall during the year (\$175,871 increase). The most significant increases occurred as a result of an increase in property taxes (\$308,547) and interest earnings (\$65,453). The increase in property taxes and interest earnings was offset by a decrease in the National Forest Fee allocation (\$61,031) and a reduction in other revenues (\$187,954).

Overall District expenses decreased by 7.5% or \$1,041,664. The decrease was mainly due to budget reductions.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'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 a government's net resources available for spending at the end of the fiscal year.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,724,905, a decrease of \$303,128 in comparison with the prior year. Approximately 75.5% of this total amount, \$5,837,703 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending.

At fiscal year-end 2012-13, fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From 2011-12
General Fund	\$ 5,969,526	\$ 554,336
Bond Building Fund	99,592	(620,108)
Debt Service Fund	1,206,467	(128,270)
Nonmajor Governmental Funds	449,320	(109,086)

The increase in the fund balance of the General Fund was largely due a reduction in wage expenditures as a result of budget cuts.

The decrease in the Bond Building Fund was due the District spending bond proceeds for capital.

The decrease in the Debt Service Fund was due to a decline in the property tax allocation.

The decrease in the Nonmajor Governmental Funds was due to classroom site and instructional improvement expenditures exceeding revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget totaled \$123,578. In Arizona, school districts build their original "adopted" budget based on the previous year's 100<sup>th</sup> day average daily attendance. In May, the district is allowed to increase or decrease its budget for student growth since the previous year's 100<sup>th</sup> day. The budget revision was not significant. The District's actual expenditures as compared to the final budget amounts were under budget by \$288,416.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$34,820,219 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, equipment and vehicles. The net decrease in the District's investment in capital assets for the current fiscal year was 3%.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

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

- ◆ Two regular cab trucks.
- ◆ Fire alarm for middle school gym.
- ◆ Lighting upgrade for high school gym and dome weight room.
- ◆ Fence at elementary school bus loading zone.
- ◆ Rigging system and fireproof curtain for auditorium.

**Table A-4  
Capital Assets (Net)**

	Governmental Activities	
	2013	2012
Land and Land Improvements	\$ 3,334,805	\$ 3,495,102
Buildings and Improvements	30,183,012	30,994,693
Furniture, Equipment, and Vehicles	1,281,442	1,541,719
Construction in Progress	20,960	-
Total Capital Assets, Net	\$ 34,820,219	\$ 36,031,514

Additional information on the District's capital assets can be found in Note 3.A.4. of this report.

**Long-Term Obligations**

At the end of the current fiscal year, the District had outstanding bonds of \$7,085,812. All this debt is backed by the full faith and credit of the District.

**Table A-5  
Outstanding Obligations**

	Governmental Activities	
	2013	2012
General Obligation Bonds	\$ 7,085,812	\$ 7,657,893

The state constitution limits the amount of total outstanding bonded indebtedness of a unified school district to 30 percent of its net secondary assessed valuation. The current constitutional debt limitation for the District is \$110,850,874.

Additional information on the District's long-term obligations can be found in Note 3.C. of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- ◆ Tax rates are expected to remain the same.
- ◆ Student population is expected to increase slightly.

These factors were considered in preparing the District's budget for the 2014 fiscal year.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Round Valley Unified School District No. 10, P.O. Box 610, Springerville, Arizona 85938.

## **BASIC FINANCIAL STATEMENTS**

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 7,824,736
Restricted Assets	346,075
Receivables	
Accounts	7,825
Property Taxes	190,192
Intergovernmental	661,609
Inventory	46,997
Capital Assets:	
Non-Depreciable	875,365
Depreciable, Net	<u>33,944,854</u>
Total Assets	<u>43,897,653</u>
<b>LIABILITIES</b>	
Accounts Payable	466,832
Accrued Interest	156,856
Matured Debt Principal Payable	560,000
Long-Term Liabilities:	
Due Within One Year	657,603
Due in More Than One Year	<u>6,710,133</u>
Total Liabilities	<u>8,551,424</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	27,833,999
Restricted for:	
Classroom Site	75,498
Instructional Improvements	231,838
Extracurricular Activities	96,348
Food Service	11,532
Special Projects	84,949
Debt Service	1,216,609
Capital Projects	6
Other	45,497
Unrestricted	<u>5,749,953</u>
Total Net Position	<u>\$ 35,346,229</u>

See accompanying Notes to Basic Financial Statements.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Primary Government:</b>				
Governmental Activities:				
Instruction	\$ 6,149,660	\$ 204,057	\$ 1,099,381	\$ (4,846,222)
Support Services:				
Students	856,344	-	26,865	(829,479)
Instructional Staff	329,133	-	62,303	(266,830)
General Administration	321,153	-	27,331	(293,822)
School Administration	378,632	-	-	(378,632)
Business and Other Support Services	341,483	-	-	(341,483)
Operation and Maintenance of Plant	2,440,235	-	64,710	(2,375,525)
Student Transportation	782,124	-	-	(782,124)
Operation of Noninstructional Services	758,753	321,258	231,129	(206,366)
Interest on Long-Term Debt	456,634	-	-	(456,634)
Total	<u>\$ 12,814,151</u>	<u>\$ 525,315</u>	<u>\$ 1,511,719</u>	<u>(10,777,117)</u>
General Revenues:				
Property Taxes				8,226,630
Grants and Contributions Not Restricted to Specific Programs				
State Equalization and Additional State Aid				373,431
Federal Aid				486,443
Investment Earnings				120,262
Other				51,559
Total General Revenues				<u>9,258,325</u>
Change in Net Position				(1,518,792)
Net Position - Beginning				36,865,021
Net Position - Ending				<u>\$ 35,346,229</u>

See accompanying Notes to Basic Financial Statements.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<u>General Fund</u>	<u>Bond Building Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>			
Cash and Investments	\$ 5,616,729	\$ -	\$ 1,916,047
Restricted Assets	-	346,075	-
Receivables			
Accounts	7,825	-	-
Property Taxes	172,774	-	17,418
Intergovernmental	406,191	-	-
Inventories	35,475	-	-
Due from Other Funds	-	-	-
Total Assets	<u>\$ 6,238,994</u>	<u>\$ 346,075</u>	<u>\$ 1,933,465</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 164,076	\$ 246,483	\$ -
Accrued Interest	-	-	156,856
Due to Other Funds	-	-	-
Matured Debt Principal Payable	-	-	560,000
Total Liabilities	<u>164,076</u>	<u>246,483</u>	<u>716,856</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>105,392</u>	<u>-</u>	<u>10,142</u>
Fund Balances			
Nonspendable	35,475	-	-
Restricted	96,348	99,592	1,206,467
Unassigned	<u>5,837,703</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>5,969,526</u>	<u>99,592</u>	<u>1,206,467</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,238,994</u>	<u>\$ 346,075</u>	<u>\$ 1,933,465</u>

Nonmajor Governmental Funds	Totals
\$ 229,345	\$ 7,762,121
-	346,075
-	7,825
-	190,192
255,418	661,609
11,522	46,997
50,769	50,769
\$ 547,054	\$ 9,065,588

\$ 46,965	\$ 457,524
-	156,856
50,769	50,769
-	560,000
97,734	1,225,149
-	115,534

11,522	46,997
437,798	1,840,205
-	5,837,703
449,320	7,724,905
\$ 547,054	\$ 9,065,588

See accompanying Notes to Basic Financial Statements.

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**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

Fund Balances - Total Governmental Funds \$ 7,724,905

Total net position reported for governmental activities in the statement of net position is different because:

Property taxes not collected within 60 days subsequent to fiscal year-end are unavailable in the governmental funds. 115,534

Capital assets used in governmental funds are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	60,736,053
Less: Accumulated Depreciation	(25,915,834)
Less: Internal Service Fund Capital Assets	<u>(164,545)</u>
Capital Assets Used in Governmental Activities	<u>34,655,674</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

General Obligation Bonds	(6,965,000)
Premium on Outstanding Bonds	(120,812)
Compensated Absence Payable	(281,924)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 217,852

Net Position of Governmental Activities \$ 35,346,229

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	General Fund	Bond Building Fund	Debt Service Fund
Revenues:			
Property Taxes	\$ 7,610,594	\$ -	\$ 713,075
Intergovernmental	859,874	-	-
Tuition	195,057	-	9,000
Food Service Sales	-	-	-
Auxiliary Operations	232,597	-	-
Contributions and Donations	32,268	-	-
Investment Earnings	102,664	-	11,817
Other	33,609	-	-
Total Revenues	<u>9,066,663</u>	<u>-</u>	<u>733,892</u>
Expenditures:			
Current:			
Instruction	4,112,953	-	-
Support Services:			
Students	806,060	-	-
Instructional Staff	284,863	-	-
General Administration	291,164	-	-
School Administration	389,475	-	-
Central Services	322,148	-	-
Operation and Maintenance of Plant	1,752,438	160,139	-
Student Transportation	476,387	-	-
Operation of Noninstructional Services	269,355	-	-
Debt Service:			
Principal Retirement	-	-	560,000
Interest on Long-Term Debt	-	-	302,162
Capital Outlay:			
Facilities Acquisition	4,758	459,969	-
Total Expenditures	<u>8,709,601</u>	<u>620,108</u>	<u>862,162</u>
Excess (Deficiency) of Revenues Over Expenditures	357,062	(620,108)	(128,270)
Other Financing Sources (Uses):			
Transfers In	7,018	-	-
Transfers Out	-	-	-
Insurance Proceeds	203,307	-	-
Total Other Financing Sources (Uses)	<u>210,325</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	567,387	(620,108)	(128,270)
Fund Balances:			
Beginning of Year	5,415,190	719,700	1,334,737
Increase (Decrease) in Inventory	(13,051)	-	-
End of Year	<u>\$ 5,969,526</u>	<u>\$ 99,592</u>	<u>\$ 1,206,467</u>

Nonmajor Governmental Funds	Totals
\$ -	\$ 8,323,669
1,479,451	2,339,325
-	204,057
88,661	88,661
-	232,597
-	32,268
5,155	119,636
17,151	50,760
<u>1,590,418</u>	<u>11,390,973</u>
1,072,880	5,185,833
33,080	839,140
77,671	362,534
33,626	324,790
-	389,475
2,080	324,228
94,305	2,006,882
-	476,387
341,523	610,878
-	560,000
-	302,162
37,498	502,225
<u>1,692,663</u>	<u>11,884,534</u>
(102,245)	(493,561)
-	7,018
(7,018)	(7,018)
-	203,307
<u>(7,018)</u>	<u>203,307</u>
(109,263)	(290,254)
558,406	8,028,033
177	(12,874)
<u>\$ 449,320</u>	<u>\$ 7,724,905</u>

See accompanying Notes to Basic Financial Statements.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (290,254)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Expenditure for Capital Assets	532,951
Less Current Year Depreciation	(1,762,856)
Plus Internal Service Fund Current Year Depreciation	52,506
Excess Depreciation Over Capital Expenditures	(1,177,399)

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.

(39,788)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Property Taxes	(97,039)
Insurance Proceeds	(202,508)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.

Principal Payments on Bonds	560,000
Amortization of Issuance Costs	(166,553)
Amortization of Bond Premium	12,081

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	9,493
Change in Inventory Balances	(12,874)

Internal service funds are used by the District to charge the costs of vehicles to individual funds. The net revenue of the internal service fund is reported with governmental activities.

(113,951)

Change in Net Position of Governmental Activities \$ (1,518,792)

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	<u>Governmental Activities - Internal Service Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 62,615
Noncurrent Assets	
Capital Assets	
Depreciable (Net)	164,545
Total Assets	<u>227,160</u>
 <b>LIABILITIES AND NET POSITION</b>	
Liabilities	
Current Liabilities	
Accounts Payable	<u>9,308</u>
Net Position	
Net Investment in Capital Assets	164,545
Unrestricted	53,307
Total Net Position	<u><u>\$ 217,852</u></u>

See accompanying Notes to Basic Financial Statements.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for Services	\$ 185,502
Operating Expenses	
Cost of Sales and Services	247,572
Depreciation	52,506
Total Operating Expenses	<u>300,078</u>
Operating Income (Loss)	(114,576)
Nonoperating Revenues	
Investment Earnings	<u>625</u>
Change in Net Position	(113,951)
Total Net Position, Beginning of Year	<u>331,803</u>
Total Net Position, End of Year	<u><u>\$ 217,852</u></u>

See accompanying Notes to Basic Financial Statements.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 193,416
Payments to Suppliers	(243,827)
Net Cash Used by Operating Activities	<u>(50,411)</u>
Cash Flows from Capital and Financing Activities:	
Purchase of Capital Assets	<u>(58,398)</u>
Net Cash Used for Capital and Financing Activities	<u>(58,398)</u>
Cash Flows from Investing Activities:	
Investment Earnings	<u>625</u>
Net Cash Flows from Investing Activities	<u>625</u>
Net Change in Cash and Cash Equivalents	(108,184)
Cash and Cash Equivalents, Beginning of Year	<u>170,799</u>
Cash and Cash Equivalents, End of Year	<u>\$ 62,615</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (114,576)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	52,506
Change in Assets/Liabilities:	
Accounts Receivable	7,914
Accounts Payable	<u>3,745</u>
Net Cash Used by Operating Activities	<u>\$ (50,411)</u>

See accompanying Notes to Basic Financial Statements.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**JUNE 30, 2013**

	<u>Agency Funds</u>
Assets:	
Current Assets:	
Cash and Investments	\$ 356,263
Liabilities:	
Due to Student Groups	\$ 138,151
Due to Other Entities	218,112
Total Liabilities	<u>\$ 356,263</u>

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Round Valley Unified School District No. 10 (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.

For the year ended June 30, 2013, the District implemented the provisions of GASB Statements No. 62, 63, and 65. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB Pronouncements. GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows or resources. GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify as deferred inflows and outflows of resources, certain items that were previously reported as assets and liabilities.

**A. Reporting Entity**

The District is a special purpose government that is governed by a separately elected governing body. 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.

**B. 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.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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 are reported as separate columns in the fund financial statements.

The government-wide and fiduciary fund 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.

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

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The District reports the following major governmental funds:

*Major Governmental Funds*

General Fund

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. It is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.) and is budgeted within three subsections titled regular education programs, special education programs and pupil transportation.

Bond Building Fund

The Bond Building Fund, a capital project fund, accounts for proceeds from District bond issues that are expended on the acquisition or lease of sites, construction or renovation of school buildings, improving school grounds, or purchasing pupil transportation vehicles.

Debt Service Fund

The Debt Service Fund accounts for resources accumulated and used for the payment of long-term debt principal, interest and related costs.

Additionally, the District reports the following fund types:

*Proprietary Funds*

Internal Service Fund

The Internal Service Fund consists of the District Services Fund which accounts for District-operated programs that provide goods or services to its departments or schools on a cost-reimbursement basis. The District operates vehicles through this fund and charges other funds for usage.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Fiduciary Funds*

Agency Funds

The Agency Funds are custodial in nature and do not present results of operations or a measurement focus and are described as follows:

The Student Activities Fund accounts for monies raised by students to finance student clubs and organizations but held by the District as an agent.

The Insurance Fund accounts for employee insurance premiums held and paid by the District as an agent.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds. Operating expenses for the internal service fund include the cost of providing goods and services to other departments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

**1. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and cash and investments held by the County Treasurer.

A.R.S. require the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes, except for cash in the Debt Service Fund, which is invested separately. As required by statute, interest earned by the Debt Service Fund is recorded in the Debt Service Fund.

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.

The State Board of Deposit 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.

**2. Receivables**

Apache County levies real 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 assessed attaches on the first day of January preceding assessment and levy thereof.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)**

**3. Short-Term Interfund Receivables/Payables**

During the course of operations, individual funds within the District's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

**4. Inventories**

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed in the fund financial statements.

**5. 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 fair market value as of the date received. 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.

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

Land Improvements	50 Years
Buildings and Improvements	20-50 Years
Furniture, Equipment and Vehicles	5-15 Years

**6. Compensated Absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)**

**7. Long-term Obligations**

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

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.

**8. Deferred Inflows of Resources**

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2013 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

**9. 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. Net investment in capital assets is separately reported because the District reports all District assets which 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.

**10. Fund Balance Classifications**

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

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)**

**10. Fund Balance Classifications (Continued)**

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. Fund balances must be committed or removed from commitment prior to fiscal year end through formal board action.

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 Governing Board, through formal resolution, has authorized the Business Manager 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.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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. 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.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Information (Continued)**

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 overexpended 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.

A budget of revenue from all sources for the fiscal year is not prepared by the District.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2013 consist of the following:

Deposits:	
Cash in Bank	\$ 431,859
Cash with Paying Agent	716,856
Investments:	
Cash on Deposit with County Treasurer	7,378,359
Total Deposits and Investments	8,527,074
Less: Restricted Assets	(346,075)
Less: Fiduciary Funds	(356,263)
Total Cash and Investments	\$ 7,824,736

**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 does not have a formal policy regarding custodial credit risk. The carrying amount of the District's deposits at June 30, 2013, was \$431,859 and the bank balance was \$535,430. The District's deposits were fully collateralized as of June 30, 2013. Therefore, District's deposits are not subject to custodial credit risk.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**Investments**

At June 30, 2013, 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 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 cash on deposit with the County Treasurer did not receive a quality credit rating from a national credit rating agency.

**2. Restricted Assets**

Restricted assets at June 30, 2013 consisted of the following:

Future Construction	<u>\$ 346,075</u>
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**3. Receivables**

Property taxes are recognized as revenues in the fiscal year they are 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 unavailable revenues.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Receivables (Continued)**

Governmental funds report deferred inflows of resources for unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unavailable revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent Property Taxes:	
General Fund	\$ 105,392
Debt Service Fund	10,142
	<u>\$ 115,534</u>

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 854,405	\$ -	\$ -	\$ 854,405
Construction in Progress	-	20,960	-	20,960
Total Capital Assets, Not Being Depreciated	854,405	20,960	-	875,365
Capital Assets, Being Depreciated:				
Land Improvements	4,213,297	7,586	-	4,220,883
Buildings and Building Improvements	51,024,995	431,361	-	51,456,356
Furniture, Equipment, and Vehicles	4,200,296	131,442	(148,289)	4,183,449
Total Capital Assets, Being Depreciated	59,438,588	570,389	(148,289)	59,860,688
Accumulated Depreciation for:				
Land Improvements	(1,572,600)	(167,883)	-	(1,740,483)
Buildings and Building Improvements	(20,030,302)	(1,243,042)	-	(21,273,344)
Furniture, Equipment, and Vehicles	(2,658,577)	(351,931)	108,501	(2,902,007)
Total Accumulated Depreciation	(24,261,479)	(1,762,856)	108,501	(25,915,834)
Total Capital Assets, Being Depreciated, Net	35,177,109	(1,192,467)	(39,788)	33,944,854
Governmental Activities Capital Assets, Net	<u>\$ 36,031,514</u>	<u>\$ (1,171,507)</u>	<u>\$ (39,788)</u>	<u>\$ 34,820,219</u>

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
Instruction	\$ 1,037,603
Support Services:	
Students	20,820
Instructional Staff	3,515
Business and Support Services	18,389
Operation and Maintenance of Plant	314,762
Student Transportation	214,376
Operation of Noninstructional Services	153,391
	<u>\$ 1,762,856</u>

**B. Interfund Receivables, Payables and Transfers**

As of June 30, 2013 interfund receivable and payables were as follows:

	<u>Due From</u>
	Nonmajor Governmental Funds
<u>Due To</u>	<u>          </u>
Nonmajor Governmental Funds	<u>\$ 50,769</u>

The above interfund receivables and payables were recorded to eliminate deficit cash balances at year-end.

Interfund transfers for the year ended June 30, 2013 consisted of the following:

	<u>Transfers From</u>
	Nonmajor Governmental Funds
<u>Transfers To</u>	<u>          </u>
General Fund	<u>\$ 7,018</u>

The transfers between the Nonmajor Governmental Funds and the General Fund were made to record the indirect costs related to federal and state grants passed through the Arizona Department of Education.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Long-Term Obligations**

The District has issued long-term bonds to provide funds for the acquisition and construction of major capital facilities. The principal and interest paid on the bonds are recorded in the Debt Service Fund. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Maturity Dates	Amount Outstanding
\$5,000,000 School Improvement Bonds 2007, Series A (2008)	4.00-4.50%	7/1/13-23	\$ 2,925,000
\$5,000,000 School Improvement Bonds 2007, Series B (2009)	2.00-5.00%	7/1/13-23	<u>4,040,000</u>
Total Bonds Payable			<u><u>\$ 6,965,000</u></u>

Changes in long-term obligations for the year ended June 30, 2013 are as follows:

	July 01, 2012	Additions	Retirements	June 30, 2013	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 7,525,000	\$ -	\$ (560,000)	\$ 6,965,000	\$ 580,000
Premium on Bonds	132,893	-	(12,081)	120,812	-
Total Bonds Payable	<u>7,657,893</u>	-	<u>(572,081)</u>	<u>7,085,812</u>	<u>580,000</u>
Other Liabilities:					
Compensated Absences	291,417	76,082	(85,575)	281,924	77,603
Long-Term Liabilities	<u>\$ 7,949,310</u>	<u>\$ 76,082</u>	<u>\$ (657,656)</u>	<u>\$ 7,367,736</u>	<u>\$ 657,603</u>

Debt service requirements on long-term debt at June 30, 2013 are as follows:

Years	Principal	Interest
2014	\$ 580,000	\$ 294,563
2015	605,000	273,563
2016	625,000	252,025
2017	650,000	228,825
2018	675,000	202,138
2019-2023	3,830,000	544,239
Totals	<u>\$ 6,965,000</u>	<u>\$ 1,795,353</u>

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Fund Balance/Net Position Classifications**

The fund balance classifications of the governmental funds as of June 30, 2013, were as follows:

	General Fund	Bond Building Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>Nonspendable</b>					
Inventory	\$ 35,475	\$ -	\$ -	\$ 11,522	\$ 46,997
<b>Restricted</b>					
Teacher Compensation and Other Qualified Programs (A.R.S. 15-977)	-	-	-	75,498	75,498
Instructional Improvement Programs	-	-	-	231,838	231,838
Federal Instructional Programs	-	-	-	24,043	24,043
State Instructional Programs	-	-	-	60,906	60,906
Extracurricular Activities	96,348	-	-	-	96,348
Community Programs	-	-	-	7,281	7,281
Instructional Aids	-	-	-	10,553	10,553
Vocational Education Programs	-	-	-	17,068	17,068
Technological Education	-	-	-	31	31
Noninstructional Programs	-	-	-	10,574	10,574
Capital Projects	-	99,592	-	6	99,598
Debt Service	-	-	1,206,467	-	1,206,467
<b>Total Restricted</b>	<u>96,348</u>	<u>99,592</u>	<u>1,206,467</u>	<u>437,798</u>	<u>1,840,205</u>
<b>Unassigned</b>	<u>5,837,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,837,703</u>
<b>Total Fund Balance</b>	<u>\$ 5,969,526</u>	<u>\$ 99,592</u>	<u>\$ 1,206,467</u>	<u>\$ 449,320</u>	<u>\$ 7,724,905</u>

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION**

**A. 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's insurance protection is provided by the Arizona School Risk Retention Trust, of which the District is a participating member. The limit for basic coverage is \$5 million per occurrence on a claims made basis. Excess coverage is for an additional \$5 million per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona School Risk Retention Trust is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The District is insured by Arizona State Workers Compensation Insurance Fund for potential worker related accidents.

**B. Retirement Plans**

**Arizona State Retirement System**

**Plan Descriptions**

The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report is available on their Web site ([www.azasrs.gov](http://www.azasrs.gov)) or may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Funding Policy**

The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14% (10.90% for retirement and 0.24% for long-term disability) of the members' annual covered payroll and the District was required by statute to contribute at the actuarially determined rate of 11.14% (10.25% for retirement, 0.65% for health insurance premium, and 0.24% for long-term disability) of the members' annual covered payroll.

The District's contributions to the System for the year ended June 30, 2013 and two preceding fiscal years were as follows:

Arizona State Retirement System  
 Last Three Fiscal Years

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years Ended June 30,			
2013	\$ 563,818	\$ 35,754	\$ 13,202
2012	543,807	35,886	13,250
2011	523,589	34,286	14,528

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ -	\$ -	\$ 7,609,980	\$ 7,609,980
Intergovernmental	-	-	347,469	347,469
Tuition	-	-	194,016	194,016
Investment Earnings	-	-	28,490	28,490
Total Revenues	<u>-</u>	<u>-</u>	<u>8,179,955</u>	<u>8,179,955</u>
Expenditures:				
Regular Education:				
Instruction	3,032,689	2,972,690	3,029,141	(56,451)
Support Services - Students	421,259	421,259	412,751	8,508
Support Services - Instructional Staff	119,860	119,860	140,602	(20,742)
Support Services - General Administration	302,118	302,118	288,560	13,558
Support Services - School Administration	408,001	408,001	386,095	21,906
Support Services - Central Services	250,954	250,954	305,747	(54,793)
Operation and Maintenance of Plant	1,540,259	1,456,680	1,175,233	281,447
Operation of Noninstructional Services	14,000	14,000	14,000	-
Total Regular Education	<u>6,089,140</u>	<u>5,945,562</u>	<u>5,752,129</u>	<u>193,433</u>
Special Education:				
Instruction	785,087	805,087	829,697	(24,610)
Support Services - Students	449,689	449,689	346,082	103,607
Support Services - Instructional Staff	-	-	429	(429)
Operation and Maintenance of Plant Services	-	-	34,083	(34,083)
Total Special Education	<u>1,234,776</u>	<u>1,254,776</u>	<u>1,210,291</u>	<u>44,485</u>
Pupil Transportation:				
Student Transportation Services	432,230	432,230	418,245	13,985
K-3 Reading Program	54,621	54,621	18,108	36,513
Total Expenditures	<u>7,810,767</u>	<u>7,687,189</u>	<u>7,398,773</u>	<u>288,416</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,810,767)	(7,687,189)	781,182	8,468,371
Fund Balance:				
Beginning of Year	-	-	4,045,674	4,045,674
Decrease in Inventory	-	-	(13,051)	(13,051)
End of Year	<u>\$ (7,810,767)</u>	<u>\$ (7,687,189)</u>	<u>\$ 4,813,805</u>	<u>\$ 12,500,994</u>

See accompanying Note to Required Supplementary Information.

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

**NOTE 1 BUDGETARY BASIS OF ACCOUNTING**

The Districts adopted budget is prepared on a basis consistent with U.S. generally accepted accounting principles, 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 purposes.

	General Fund					
	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Beginning Fund Balance	Change in Nonspendable	Ending Fund Balance
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 9,066,663	\$ 8,709,601	\$ 210,325	\$ 5,415,190	\$ (13,051)	\$ 5,969,526
Non Maintenance and Operation Funds included in General Fund for GASB Statement No. 54 purposes	(886,708)	(1,310,828)	(210,325)	(1,369,516)	-	(1,155,721)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Budgetary Basis	<u>\$ 8,179,955</u>	<u>\$ 7,398,773</u>	<u>\$ -</u>	<u>\$ 4,045,674</u>	<u>\$ (13,051)</u>	<u>\$ 4,813,805</u>

**SINGLE AUDIT ACT REPORTS SECTION**

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

Governing Board  
Round Valley Unified School District No. 10  
Springerville, 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 Round Valley Unified School District No. 10 (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Round Valley Unified School District No. 10's basic financial statements, and have issued our report thereon dated February 18, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Round Valley Unified School District No. 10's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Round Valley Unified School District No. 10's internal control. Accordingly, we do not express an opinion on the effectiveness of Round Valley Unified School District No. 10's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described as items 2013-001 and 2013-002 in the accompanying schedule of findings and questioned costs to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-003 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Round Valley Unified School District No. 10'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*.

**District's Response to Findings**

Round Valley Unified School District No. 10's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Round Valley Unified School District No. 10's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phoenix, Arizona  
February 18, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Round Valley Unified School District No. 10  
Springerville, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Round Valley Unified School District No. 10's (District) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Round Valley Unified School District No. 10's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Round Valley Unified School District No. 10's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Round Valley Unified School District No. 10's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Round Valley Unified School District No. 10's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Round Valley Unified School District No. 10 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of Round Valley Unified School District No. 10 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Round Valley Unified School District No. 10's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Round Valley Unified School District No. 10's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Phoenix, Arizona  
February 18, 2014

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?     X     yes            no
- Significant deficiency(ies) identified?     X     yes            none reported

Noncompliance material to financial statements noted?            yes     X     no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?            yes     X     no
- Significant deficiency(ies) identified?            yes     X     none reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?            yes     X     no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.665	National Forest Fees

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?            yes     X     no

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FINANCIAL STATEMENTS – MATERIAL WEAKNESS**

2013-001	<i>Condition/ Context</i>	The year-end financial statements and related disclosures (statement of cash flows and notes to the financial statements) were not prepared by management.
	<i>Criteria</i>	Internal control procedures.
	<i>Effect</i>	Internal control weakness and the financial statements and related disclosures were compiled by the auditors and reviewed by management.
	<i>Cause</i>	The District prepares monthly financial statements for management purposes, but does not have the staffing level necessary to compile its own financial statements with related disclosures for external reporting.
	<i>Recommendation</i>	In order to strengthen internal controls, the annual financial statements and related disclosures should be prepared by management.
	<i>Corrective Action Plan</i>	The District concurs with this recommendation; however, management does not currently have personnel to compile the financial statements with related disclosures and will continue to contract with its auditors to prepare the year-end financial statements and related disclosures. Management will continue to review the audited financial statements and related disclosures compiled by the auditors and review monthly the balance sheet and income statements.
	<i>Contact Person</i>	James Brown, Business Manager

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

2013-002	<i>Condition/ Context</i>	As part of the audit, we proposed material audit adjustments for recording of accruals, reversing prior year accruals and properly stating beginning fund balance..
	<i>Criteria</i>	District management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions, including reporting of accruals and net position.
	<i>Effect</i>	The design of the internal controls over recording transactions and year-end accruals limits the ability of the District to provide accurate accrual basis financial information.
	<i>Cause</i>	The District has a limited number of personnel.
	<i>Recommendation</i>	We recommend District management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.
	<i>Corrective Action Plan</i>	The District concurs with this recommendation and will continue to strive toward eliminating the need for any audit adjustments.
	<i>Contact Person</i>	James Brown, Business Manager

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013**

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**CASH RECEIPTS – SIGNIFICANT DEFICIENCY**

2013-003	<i>Condition/ Context</i>	The District did not always use an auxiliary operations ticket log to control the issuance of tickets for athletic events. In addition, a reconciliation of daily sales to actual cash collections was not always prepared for auxiliary operations, extracurricular activities and student activities receipts.
	<i>Criteria</i>	District management should develop and implement internal controls over receipt processes.
	<i>Effect</i>	The lack of controls over cash collections increases the risk of misstatement due to fraud or errors.
	<i>Cause</i>	New personnel overseeing cash receipting.
	<i>Recommendation</i>	We recommend that District management implement the use of a ticket log to control the issuance of tickets for athletic events. Tickets should be pre-numbered and numerically controlled. Tickets sold should be reconciled to the deposit. We also recommend the District reconcile sales to actual cash collections for all types of cash receipts collected. Documentation of the reconciliation should be retained.
	<i>Corrective Action Plan</i>	The District concurs with this recommendation and will implement the use of a ticket log to control the issuance of tickets for athletic events. In addition, a reconciliation of daily sales to actual cash collections will be prepared for auxiliary operations, extracurricular activities, and student activities receipts.
	<i>Contact Person</i>	James Brown, Business Manager

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**None Noted.**

**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**None Noted.**

**ROUND VALLEY UNIFIED SCHOOL DISTRICT NO. 10  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

Grantor Agency	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
<b>U.S. Department of Education</b>			
Passed Through State of Arizona,			
Department of Education:			
Title I - LEAs	84.010	S010A040003	\$ 210,373
Special Education Cluster:			
IDEA Basic Entitlement	84.027	H027A0090007	204,681
IDEA Preschool Grant	84.173	H173A000003	<u>14,614</u>
Total IDEA Special Education Cluster			219,295
CTE - Basic Grants	84.048	V048A110003	27,026
Title II - Improving Teacher Quality	84.367	S281A030003	<u>57,079</u>
Total U. S. Department of Education			<u>513,773</u>
U.S. Department of Agriculture			
Passed through State of Arizona, Department of Education:			
Nutrition Cluster:			
Noncash Assistance (Commodities)			
National School Lunch Programs	10.555	F70072	23,466
Cash Assistance			
School Breakfast Programs	10.553	F70072	26,975
National School Lunch Programs	10.555	F70072	187,497
Special Milk Program for Children	10.556	F70072	3,418
Summer Food Service Program	10.559	F70072	<u>13,239</u>
Cash Assistance Subtotal			<u>231,129</u>
Total Nutrition Cluster			254,595
Passed through Apache County:			
National Forest Fees	10.665	N/A	<u>818,886</u>
Total U. S. Department of Agriculture - Food and Nutrition			<u>1,073,481</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 1,587,254</u></u>

NOTE: This schedule was prepared on the modified accrual basis of accounting.