

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: See “RATING” herein.

*In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District (as defined herein) as mentioned under “TAX EXEMPTION” herein, interest income on the Bonds is excluded from gross income for federal income tax purposes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the purpose of computing the alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM” herein.*

*The Governing Board has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended, which relates to the ability of certain financial institutions to deduct interest expense allocable to holding and carrying tax-exempt obligations for federal income tax purposes. The Governing Board, through one or more of its representatives, will represent and warrant that it does not reasonably anticipate that the aggregate amount of tax-exempt obligations that will be issued by or on behalf of the District in calendar year 2025 will exceed \$10,000,000. See “QUALIFIED TAX-EXEMPT OBLIGATIONS” herein.*

**\$8,425,000\***



**KAYENTA UNIFIED SCHOOL DISTRICT NO. 27  
OF NAVAJO COUNTY, ARIZONA  
IMPACT AID REVENUE BONDS, SERIES 2025  
(BANK QUALIFIED)**

*Bonds Dated: Date of Initial Authentication and Delivery*

*Bonds Due: July 1, as shown on the inside front cover page*

The Impact Aid Revenue Bonds, Series 2025 (the “Bonds”) will be issued by Kayenta Unified School District No. 27 of Navajo County, Arizona (the “District”) under a Trust Agreement, to be dated as of July 1, 2025\* (the “Trust Agreement”), among the District, UMB Bank, n.a., as trustee (the “Trustee”) and the Treasurer of Navajo County, Arizona. The Bonds will be issued in the form of fully-registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as the securities depository for the Bonds. Purchases will be made in book-entry form through DTC participants only in amounts of \$5,000 of principal due on a single maturity date or integral multiples thereof. Except as described herein, purchasers will not receive certificates representing their beneficial interests in the Bonds. The Bonds will mature on the dates and in the principal amounts and will bear interest, from their due date to their maturity or prior redemption as set forth on the inside front cover page hereof from their initial date of delivery. Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2026\*, until maturity or prior redemption.

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**SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE**

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Certain of the Bonds will be subject to redemption prior to their stated maturity dates as described under “THE BONDS – Redemption Provisions” herein\*.

Principal of and interest on the Bonds will be secured only by a first lien on the monies paid into the “Debt Service Fund” of the District. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” herein. The Trust Agreement provides that the District (a) may not encumber the monies paid into the Debt Service Fund of the District on a basis senior to the first lien pledge of such amounts described in the Trust Agreement, and (b) may not encumber the monies paid into the Debt Service Fund of the District on a parity with the first lien pledge of such amounts unless certain requirements of the Trust Agreement are satisfied. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Additional Bonds” herein.

THE BONDS WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN. THE BONDS WILL NOT BE GENERAL OBLIGATIONS OF THE DISTRICT, THE NAVAJO NATION, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF, AND THE FULL FAITH AND CREDIT OF THE DISTRICT, THE NAVAJO NATION, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF WILL NOT BE PLEDGED FOR THE PAYMENT OF THE BONDS.

**INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. SEE “RISK FACTORS” HEREIN.**

The Bonds will be offered when, as and if issued by the District and received by the underwriter identified below (the “Underwriter”), subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriter by its counsel Greenberg Traurig, LLP, Phoenix, Arizona. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 10, 2025\*.

*This cover page contains certain information with respect to the Bonds for convenience of reference only. It is not a summary of the issue of which the Bonds are a part. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.*

**STIFEL**

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\* Subject to change.

**\$8,425,000\***  
**KAYENTA UNIFIED SCHOOL DISTRICT NO. 27**  
**OF NAVAJO COUNTY, ARIZONA**  
**IMPACT AID REVENUE BONDS, SERIES 2025**  
**(BANK QUALIFIED)**

**MATURITY SCHEDULE\***

| Maturity<br>Date<br>(July 1) | Principal<br>Amount | Interest<br>Rate | Yield | CUSIP® <sup>(1)</sup><br>No. |
|------------------------------|---------------------|------------------|-------|------------------------------|
| 2026                         | \$ 275,000          |                  |       |                              |
| 2027                         | 280,000             |                  |       |                              |
| 2028                         | 290,000             |                  |       |                              |
| 2029                         | 305,000             |                  |       |                              |
| 2030                         | 320,000             |                  |       |                              |
| 2031                         | 335,000             |                  |       |                              |
| 2032                         | 355,000             |                  |       |                              |
| 2033                         | 375,000             |                  |       |                              |
| 2034                         | 395,000             |                  |       |                              |
| 2035                         | 420,000             |                  |       |                              |
| 2036                         | 440,000             |                  |       |                              |
| 2037                         | 465,000             |                  |       |                              |
| 2038                         | 495,000             |                  |       |                              |
| 2039                         | 525,000             |                  |       |                              |
| 2040                         | 555,000             |                  |       |                              |
| 2041                         | 590,000             |                  |       |                              |
| 2042                         | 625,000             |                  |       |                              |
| 2043                         | 670,000             |                  |       |                              |
| 2044                         | 710,000             |                  |       |                              |

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\* Subject to change.

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## REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by Kayenta Unified School District No. 27 of Navajo County, Arizona (the “District”) or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the District’s Impact Aid Revenue Bonds, Series 2025 (the “Bonds”) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been obtained from the District, the Arizona Department of Revenue, the Assessor, Office of Budget and Finance and Treasurer of Navajo County, Arizona, the National Association of Federally Impacted Schools and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the District or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the District or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.”

The presentation of information, including tables of receipts from taxes and other sources, shows recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District including the future receipts of Impact Aid Revenues (as defined herein) from the United States Department of Education. All information, estimates and assumptions contained herein are based on past experience and on the latest information available and are believed to be reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District or the Underwriter and its accuracy cannot be guaranteed. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the District or any of the other parties or matters described herein since the date hereof.

The Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

A wide variety of information, including financial information, concerning the District is available from publications and websites of the District and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such publications and websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

The District will undertake to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS.

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## OFFICIAL STATEMENT

**\$8,425,000\***

### **KAYENTA UNIFIED SCHOOL DISTRICT NO. 27 OF NAVAJO COUNTY, ARIZONA IMPACT AID REVENUE BONDS, SERIES 2025 (BANK QUALIFIED)**

## INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared at the direction of Kayenta Unified School District No. 27 of Navajo County, Arizona (the “District”), in connection with the issuance of \$8,425,000\* principal amount of bonds designated Impact Aid Revenue Bonds, Series 2025 (the “Bonds”). Certain information concerning the authorization, purpose, terms, conditions of sale and sources of payment of and security for the Bonds is stated in this Official Statement. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” for the definitions of certain terms used herein.

Reference to provisions of State of Arizona (the “State” or “Arizona”) law, whether codified in the Arizona Revised Statutes, or uncoded, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be considered as, or as part of, a contract with the original purchasers or subsequent owners or beneficial owners of the Bonds.

## THE BONDS

### **Authorization and Purpose**

The Bonds will be issued under a Trust Agreement, to be dated as of July 1, 2025\* (the “Trust Agreement”), among the District, UMB Bank, n.a., as trustee (the “Trustee”), and the Treasurer of Navajo County, Arizona (the “Treasurer”), pursuant to the authority of Title 41, Chapter 56, Article 8, Arizona Revised Statutes (the “Act”), and a resolution adopted by the Governing Board of the District (the “Governing Board”) on May 8, 2025 (the “Resolution”).

The Bonds will be issued pursuant to a vote of the qualified electors of the District at an election held on November 5, 2024 (the “Election”), and represent the total aggregate voter authorized principal amount of \$8,500,000\*\* of federal impact aid revenue bonds approved at the Election. Proceeds from the sale of the Bonds will be used to finance (i) facility renovations, improvements and upgrades to existing school facilities, including but not limited to: football field and track renovations, (ii) fitness center and locker room repair and renovations, (iii) District-wide door projects and renovations, (iv) swimming pool repairs, (v) the purchase of furniture, technology and equipment, (vi) a debt service reserve fund and (vii) costs related to the issuance of the Bonds. The projects described in (i) through (v) are collectively referred to herein as the “Project.”

After the issuance of the Bonds, the District will not have any remaining voter authorized but unissued principal amount of federal impact aid revenue bonds approved at the Election. Additional bonds of the District payable from the same source as the Bonds may be issued in the future pursuant to authority approved at the subsequent elections for the District. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Additional Bonds.”

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\* *Subject to change.*

\*\* *\$75,000 of premium of the Bonds that will be used for costs of the Project will reduce in equal amount the aggregate principal amount of federal impact aid revenue bonds approved at the Election.*

## **Terms of the Bonds – Generally**

The Bonds will be dated the date of delivery, and registered only in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), under the book-entry-only system described herein (the “Book-Entry-Only System”). See APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM.” The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date at the rates set forth on the inside front cover page of this Official Statement. Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2026\* (each an “Interest Payment Date”), until maturity or prior redemption.

See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM” herein for a discussion of the treatment of interest income on the Bonds for federal and State income tax purposes.

## **Redemption Provisions\***

*Optional Redemption.* The Bonds maturing before or on July 1, 20\_\_ will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on or after July 1, 20\_\_ will be subject to redemption prior to their stated maturity dates, at the option of the District, in whole or in part from maturities selected by the District on July 1, 20\_\_, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption, plus interest accrued to the date fixed for redemption but without premium.

*Notice of Redemption.* So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC in the manner required by DTC. See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM.” If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Trustee not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Neither the failure of any registered owner of the Bonds to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for redemption of the Bonds as to which proper notice of redemption was given.

Notice of any redemption will also be provided as set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the District, the Treasurer or the Trustee prior to sending the notice of redemption, such redemption shall be conditional on such monies being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

*Effect of Redemption.* On the date designated for redemption, the Bonds or portions thereof to be redeemed will become and be due and payable at the redemption price for such Bonds or portions thereof, and, if monies for payment of the redemption price are held in a separate account by the Trustee, interest on such Bonds or portions thereof to be redeemed will cease to accrue, such Bonds or portions thereof will cease to be entitled to any benefit or security under the Trust Agreement, the owners of such Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof and such Bonds or portions thereof will be deemed paid and no longer outstanding. DTC’s practice is to determine by lot the amount of each Direct Participant’s (as defined in APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM”) proportionate share that is to be redeemed.

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\* Subject to change.

*Redemption of Less than All of a Bond.* The District may redeem any amount which is included in a Bond that is subject to prior redemption in a denomination equal to or in excess of, but divisible by, \$5,000. In the event of a partial redemption, the Bond will be redeemed in accordance with DTC's procedures. In the event of a partial redemption if the Book-Entry-Only System is discontinued, the registered owner will submit the Bond for partial redemption and the Trustee will make such partial payment and will cause to be issued a new Bond in a principal amount which reflects the redemption so made, to be authenticated and delivered to the registered owner thereof.

### **Registration and Transfer When Book-Entry-Only System Has Been Discontinued**

If the Book-Entry-Only System is discontinued, the Bonds will be transferred only upon the bond register maintained by the Trustee and one or more new Bonds, registered in the name of the transferee, of the same Series, principal amount, maturity and rate of interest as the surrendered Bond or Bonds will be authenticated, upon surrender to the Trustee of the Bond or Bonds to be transferred, together with an appropriate instrument of transfer executed by the transferor if the Trustee's requirements for transfer are met. The District has chosen the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a business day, as the "Record Date" for the Bonds. The Trustee is not required to transfer or exchange any Bonds which have been selected for prior redemption.

The transferor will be responsible for all transfer fees, taxes, fees and any other costs relating to the transfer of ownership of individual Bonds.

### **Defeasance**

If the District pays or causes to be paid, or there is otherwise paid, to the Owners of all outstanding Bonds or Bonds of a particular maturity or a particular Bond within a maturity, the debt service due or to become due thereon, at the times and in the manner stipulated therein and in the Trust Agreement, such Bonds will cease to be entitled to any lien, benefit or security under the Trust Agreement, and all covenants, agreements and obligations of the District to the Owners of such Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Subject to the provisions of the Trust Agreement, any outstanding Bonds will be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if there has been deposited with the Trustee either cash in an amount which will be sufficient, or certain Defeasance Obligations as prescribed in the Trust Agreement, the principal of and the interest on which, when due, will provide money which, together with cash, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on such Bonds, to maturity or to a prior redemption date. For a description of the Defeasance Obligations in which such funds may be invested, see the definition of "Defeasance Obligations" in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT."

## **SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS**

### **General**

After authorization of appropriate funding and subsequent annual appropriation by the Congress of the United States of America ("Congress"), amounts of Impact Aid Revenues are allocated by the United States Department of Education (the "Education Department") to school districts that have timely filed applications to receive Impact Aid Revenues and had their applications approved by the Education Department.

As permitted by the Act and pursuant to the Trust Agreement, amounts of Impact Aid Revenues due to the District will be paid by the Education Department directly to the Trustee, as agent of the Treasurer. The Trustee will credit such amounts as received from the Education Department to the Debt Service Fund during each Fiscal Year until the amount credited equals the principal and interest that will become due with respect to the Bonds during the then current Fiscal Year. If so directed by the District, the Trustee will withhold additional Impact Aid Revenues for deposit to a Defeasance Account. (Amounts which are disability payments for IDEA Funding (as defined herein), will not be retained, but instead will be paid to the District for use as required by applicable law.) Thereafter, for the remainder of the Fiscal Year, unless such amounts are required to be paid into the Debt Service Reserve Fund, the Trustee will pay the additional amounts of the Impact Aid Revenues received by it to the Treasurer for the account of the District.

The principal of and interest on the Bonds will be secured by a first lien on such amounts of Impact Aid Revenues paid into the Debt Service Fund. Impact Aid Revenues may not be pledged or assigned on a prior lien basis to payment of any other obligations, and may be pledged or assigned on a parity lien basis to payment of the obligations only as described in the Trust Agreement, including to additional bonds of the District that may be approved at future elections. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Additional Bonds” herein.

See also APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT.”

**THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE DISTRICT NOR WILL THE DISTRICT BE OBLIGATED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS FROM AD VALOREM PROPERTY TAXES OR OTHER DISTRICT REVENUES NOT PLEDGED TO PAY THE BONDS. PURSUANT TO THE ACT AND THE TRUST AGREEMENT, THE BONDS WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE DISTRICT, AND DEBT SERVICE THEREON WILL BE PAYABLE SOLELY FROM AMOUNTS OF IMPACT AID REVENUES AS DESCRIBED HEREIN AND NOT FROM ANY OTHER REVENUES OF THE DISTRICT. THE BONDS WILL NOT REPRESENT OR CONSTITUTE A DEBT OR A DIRECT OR INDIRECT PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT, THE NAVAJO NATION, THE STATE OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER AGENCY THEREOF.**

Following receipt and deposit of Impact Aid Revenues, the Trustee, pursuant to the Trust Agreement, will invest the monies credited to the various funds and accounts created pursuant to the Trust Agreement as permitted under the Trust Agreement, and in accordance with the Act.

ALTHOUGH THE PROCEEDS OF THE SALE OF THE BONDS WILL BE DEPOSITED AND INVESTED SIMILARLY TO THE IMPACT AID REVENUES, THE PROCEEDS OF THE BONDS WILL NOT BE PLEDGED TO, NOR DO THEY SECURE, PAYMENT OF THE BONDS (OTHER THAN PROCEEDS OF THE BONDS DEPOSITED TO THE DEBT SERVICE RESERVE FUND). THE BONDS WILL NOT BE SECURED BY THE IMPROVEMENTS FINANCED WITH THE PROCEEDS OF THE SALE OF THE BONDS.

### **Impact Aid Revenues**

*In General.* “Impact Aid Revenues” are revenues received pursuant to 20 United States Code Sections 7701 through 7714, which is the federal law which codifies the program designed to directly reimburse public schools for the loss of traditional revenue sources due to a federal government presence or activity (the “Program”). Amounts which are disability payments with respect to IDEA Funding to be received by the District, while part of Impact Aid Revenues pursuant to the Act, are excluded from the pledge for the Bonds because their use is limited to specific purposes pursuant to federal law. The policy reason for the federal government to make payments pursuant to the Program arises generally from the fact that “federally connected students” adversely affect a public school district’s financial base because their parents or guardians do one or more of the following in the school districts in which such students are enrolled: pay no income taxes or vehicle license fees in their state of residence, live on non-taxable federal property, shop at stores that generate no taxes or work on non-taxable federal land. The Program provides payments to school districts in lieu of these lost taxes to offset the impact created by the federal government and to assist with the basic educational needs of their students.

School districts can receive funding from one or more of the Program’s “sections.” The Program’s sections generally are as follows:

Basic support payments – This section provides basic support for a number of different types of federally connected students, including those who have a parent in the uniformed services, reside on Indian lands, as is the case with the District, live or have parents who work on federal property, or live in federally subsidized low-rent housing projects. As indicated in TABLE 1 – “ANNUAL APPROPRIATIONS FOR IMPACT AID NATIONALLY,” basic support payments represent 91.0% of the total appropriations to the Program for federal fiscal years (October 1 through September 30) 2024 and 2025.

Payments for property – Enacted in the original 1950 legislation for the Program, this section reimburses school districts for the loss of taxable land to the federal government. The payment is in lieu of the taxes that would normally be paid by the private landowner and is not based on the presence of children residing on the property.



Disability payments – School districts with Indian students (such as the District) with disabilities and military students with disabilities are eligible to receive additional funding to be used in accordance with the Individuals with Disabilities Education Act (“IDEA”). *(As noted herein, funding under this section is not available for payment of the Bonds.)*

Payments to heavily impacted districts – Eligible districts include those that (1) are highly impacted with federal students and have a higher than average tax rate and (2) have a below average spending rate per pupil when compared to similar districts.

Construction payments – This section addresses the construction and maintenance needs of certain districts. Payments are based on a separate appropriation divided by the number of eligible students. 60% of funds appropriated for construction to go to discretionary competitive grants to eligible school districts to meet “emergency” construction needs, and 40% of funds appropriated for construction is allocated by formula to eligible districts. Over the past 10 years language has been inserted in the appropriations bill adopted by Congress for Labor, Health and Human Services and Education directing that the total amount appropriated for construction be paid out pursuant to the formula under Section 7007(a) in even numbered years and paid out as discretionary grants under Section 7007(b) in odd numbered years.

As summarized in TABLE 1 – “ANNUAL APPROPRIATIONS FOR IMPACT AID NATIONALLY” herein, basic support payments (“BSPs”) typically represent the bulk of appropriations under the Program. For instance, for the federal fiscal years 2024 and 2025, \$1.473 billion, or approximately 91.0% of total appropriations for the Program, are BSPs. To be eligible for BSPs under the Program, a school district must have at least 400 federally connected students or federally connected students must comprise at least three percent of the average daily attendance. Because different types of federally connected students have a different financial impact on a school district, each type of federally connected student is assigned a weight. The higher the weight, the higher the impact these students have on the school district. Weighted federal student units (“WFSUs”) categories are as follows:

- Student living on Indian property, 1.25 weight (applicable to the District);
- Military student living on federal property, 1.00 weight;
- Civilian student living on federal property whose parent works on federal property, 1.00 weight;
- Military student not living on federal property, 0.20 weight;
- Student living in low-rent housing project, 0.10 weight; and
- Civilian student whose parent lives or works on federal property, 0.05 weight. Students who reside off federal property and whose parents are civilians employed on federal property may be counted if these students number at least 1,000 ADA (as defined herein) and/or these students represent at least 10-percent of the total ADA of the school district.

Eligible school districts conduct a student survey early in the school year to determine the number and types of federally connected students enrolled and submit an application to the Education Department by the due date established by the Education Department. The Education Department performs the necessary calculations and determines percentages for each recipient. Federal budget enactment, which would typically occur in the fall of the subsequent school year, prompts the allocation of federal dollars to the school districts under the Program. The Education Department is required by law to notify eligible districts who fail to file an application by the due date of the applicable year.

Payments under the Program are computed using a formula based on the WFSUs. The BSP a school district can receive is determined as follows:

- Determine the local contribution rate (“LCR”) which includes the greater of one-half of the state average per pupil expenditure, one-half of the national average per-pupil expenditure, the state average percentage of local revenue multiplied by the state average per-pupil expenditure, or the use of comparable school district per-pupil expenditures.

- Count each eligible federal student and then convert the count into Average Daily Attendance (“ADA”); each state has an ADA negotiated rate as set by the Education Department and the State based on a 3-year average - Arizona’s ADA negotiated rate is 0.93751.
- Multiply the ADA of each category of federally connected students by their identified WFSU. Multiply each federally connected student by his or her WFSU.
- Add the WFSUs of all federally connected students.
- Multiply the LCR by the total of the WFSUs to determine the maximum BSP.
- If the total federal appropriation for the Program is insufficient to pay the maximum BSP (which has been the case since 1969), divide the total federal ADA for the school district by the total ADA for the school district to determine the school district’s percentage of federally connected students.
- Divide the BSP by the total current operating expenditures for the school district, which is the percentage of the current operating budget that the BSP represents for a school district.
- Add the two immediately preceding amounts to determine the learning opportunity threshold modifier (“LOT MOD”). If this number is greater than 100 percent, then use 100 percent. The LOT MOD cannot exceed 100 percent.
- Multiply the preceding percentage by the BSP.
- If the total federal appropriation for the Program is insufficient to pay the reduced BSP, the amount paid is distributed to the school districts *pro-rata*.

The total amount for the Program nationally (not including Education Department-owned facilities and certain amounts available under the competitive construction provisions of the Program) has been funded at the following levels during the past five federal fiscal years:

**TABLE 1**  
**ANNUAL APPROPRIATIONS FOR IMPACT AID NATIONALLY**  
**(Dollar amounts are in millions)**

| Appropriation for                           | 2021              | 2022              | 2023              | 2024              | 2025              | Budgeted<br>2026  | On a %<br>Basis for<br>2026 |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------|
| Payments for Property                       | \$ 76.3           | \$ 77.3           | \$ 78.3           | \$ 79.0           | \$ 79.0           | \$ 81.0           | 4.8%                        |
| Basic Support Payments                      | 1,354.2           | 1,409.2           | 1,468.2           | 1,473.9           | 1,473.9           | 1,539.0           | 91.0                        |
| Disability Payments (a)                     | 48.3              | 48.3              | 48.3              | 48.3              | 48.3              | 49.8              | 2.9                         |
| Construction Payments<br>(Formula Payments) | 17.4              | 17.4              | 18.4              | 19.0              | 19.0              | 20.5              | 1.2 (b)                     |
| Total                                       | <u>\$ 1,496.3</u> | <u>\$ 1,552.3</u> | <u>\$ 1,613.3</u> | <u>\$ 1,620.2</u> | <u>\$ 1,620.2</u> | <u>\$ 1,690.3</u> | <u>100.0 %</u>              |
| Percent Change                              | <u>1.0%</u>       | <u>1.0%</u>       | <u>1.0%</u>       | <u>1.0%</u>       | <u>1.0%</u>       | <u>1.0%</u>       |                             |

(a) As described under “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Impact Aid Revenues,” funding under this section for the District is not available for payment of the Bonds.

(b) Funding for this section awarded on a competitive basis for 60% of construction and a formula basis for 40% of construction.

Source: The Education Department and National Association of Federally Impacted Schools.

According to information from the Education Department and the National Association of Federally Impacted Schools (“NAFIS”), in federal fiscal year 2025, for example, BSP supported 637,539 federally connected students, and more than 932 school districts received BSPs.

As noted above, Indian land students with disabilities are eligible for additional funding through the Program in accordance with IDEA. The amount of additional funding earmarked for children with disabilities (“CWD”) is allocated by totaling the eligible CWD weights in a school district and multiplying that amount by the amount per CWD student to be paid (the “IDEA Funding”). ***IDEA Funding must, however, pursuant to federal law, be used specifically for special education and therefore is not pledged to payment of Bonds pursuant to State law as indicated herein.***

As noted herein under the heading “RISK FACTORS – Authorization in Federal Budget and Subsequent Appropriation; Changes in Funding Formula,” the full formula entitlement for the Program has not been appropriated since 1968. Shortfalls in funding cause allocation reductions to be made. Because there is not enough money to fund the total amount required for BSPs, these payments are reduced on a needs basis, instead, for instance, of simply being prorated. In this way, more funds are allocated to districts that are more financially dependent upon the Program. Need is computed by adding together the percentage of federal students’ ADA in a district compared to the total ADA and the percentage of the operating budget that the maximum BSPs represent compared to the total budget. The per-pupil BSP is multiplied by the sum of these two percentages, resulting in the LOT MOD described above. For example, during the federal fiscal year 2024 (ending September 30, 2024), the Program received approximately \$1.473 billion for BSPs. To fully fund the Program, it would have taken an estimated \$2.434 billion. A majority of the approximately 945 federally connected public school districts eligible under the Basic Support provision nationwide therefore will not receive their maximum BSP. As the LOT MOD prioritizes the distribution of Impact Aid Revenues to those school districts with the greatest need for such funding, Indian land districts (such as the District) that were highly impacted (with LOT % of 100%) between federal fiscal year 1999 and 2010 received their maximum BSP; between 2011 and 2019 they received on average 93.62% of their maximum BSP. Between federal fiscal years 2020 and 2024, Indian land districts (such as the District) received their maximum BSP, averaging 101.20%, and in federal fiscal year 2025, because program funding was frozen at the federal fiscal year 2024 level, the LOT MOD is expected to decrease to 95%. Additional LOT MOD decreases could occur in future federal fiscal years. Decreases in the LOT MOD could lead to decreases in the amount of Impact Aid Revenues paid to the District. **See “RISK FACTORS” herein.** (The District’s LOT MOD for its most recent funding was 100 percent.) See TABLE 2 – “IMPACT AID REVENUES RECEIVED” herein.

*Special Factors Relating to Federally Connected Students on Indian Lands.* Generally, a school district that claims children residing on Indian lands for the purpose of receiving funds under the Program must establish and annually adopt policies and procedures known as “Indian Policies and Procedures” (“IPPs”) in order to receive Impact Aid. IPPs ensure that:

- such children participate in programs and activities supported by such funds on an equal basis with all other children;
- parents of such children and Indian tribes are afforded an opportunity to present their views on such programs and activities, including an opportunity to make recommendations on the needs of those children and how the local educational agency may help such children realize the benefits of such programs and activities;
- parents and Indian tribes are consulted and involved in planning and developing such programs and activities;
- relevant applications, evaluations and program plans are disseminated to the parents and Indian tribes; and
- parents and Indian tribes are afforded an opportunity to present their views to such agency regarding such agency’s general educational program.

*Impact Aid Revenue Received by the District.* As a general matter, if Congress adopts a final appropriations bill on or before October 1, school districts (including the District) can expect to receive an initial payment pursuant to the

Program prior to mid-November. In that scenario, a school district applying for an early payment would receive an early payment amount proportional to the level appropriated by Congress. In recent years, however, Congress has not passed a final appropriations bill prior to October 1, but instead has passed multiple continuing resolutions until such time as Congress can pass a final bill.

For example, as a result of continuing resolutions, initial payments were paid out at 75% in federal fiscal years 2021 and 2022. The federal fiscal year 2022 final appropriations bill did not pass until mid-March, so school districts did not receive a second payment of impact aid until mid-April, at which time payments rose to 90%.

In recent years, the District has expected to receive an initial payment between 50% and 75% before January 1, with a second payment after February 1. School districts with the greatest need (based on their prior requests for early payments) received payments on or before January 1. The District submits an early payment request on or about October 1 of each year.

In federal fiscal year 2025 (the current federal fiscal year), the District received an initial payment of 50% before January 1, 2025. Congress passed a full year federal fiscal year 2025 appropriation bill in March 2025 funding programs at their current fiscal year 2024 level and the District received a second payment in mid-April 2025. The final federal fiscal year 2025 payment was received by the District in June 2025 and reflected the 95% LOT payout percentage.

**TABLE 2**  
**IMPACT AID REVENUES RECEIVED**  
**Kayenta Unified School District No. 27**

| Fiscal<br>Year | Impact Aid Revenues<br>Which Would Have<br>Been Available to<br>Pay Debt Service on<br>Bonds in Prior<br>Fiscal Years <i>(a)</i> |
|----------------|----------------------------------------------------------------------------------------------------------------------------------|
| 2020/21        | \$ 12,923,645                                                                                                                    |
| 2021/22        | 13,532,119                                                                                                                       |
| 2022/23        | 13,881,908                                                                                                                       |
| 2023/24        | 14,148,048                                                                                                                       |
| 2024/25        | 14,974,390                                                                                                                       |

*(a) Substantially all these amounts are BSPs. Includes amounts appropriated in prior years but not received until the indicated Fiscal Year. See "RISK FACTORS – Authorization in Federal Budget and Subsequent Appropriation; Changes in Funding Formula." The amount of available Impact Aid Revenues that may be used to pay debt service is limited. See "Limitations on Outstanding Amount and Debt Service" herein.*

Based on the anticipated number of federally connected students in the District for the Fiscal Year 2025, the District's maximum Impact Aid Revenues payment for Fiscal Year 2025 is estimated to be approximately \$15,762,491.50. This figure is calculated by multiplying the anticipated WFSU in the fall of 2024 (1,907.83), multiplied by the LCR for Fiscal Year 2025 of \$8,262. Because the final Fiscal Year LOT percentage payout was reduced to 95%, the District's Fiscal Year 2025 payment will instead be \$14,974,390.

The foregoing amounts for the following Fiscal Years were paid based on student surveys which showed the number of federally connected students enrolled in the District for the Fiscal Years indicated.

**TABLE 3**  
**FEDERALLY CONNECTED STUDENTS**  
**Kayenta Unified School District No. 27**

| <u>Fiscal<br/>Year</u> | <u>Federal<br/>Average Daily<br/>Attendance (a)</u> | <u>Federally Connected<br/>Student Average<br/>Daily Attendance</u> | <u>Weighted Federal<br/>Student Units<br/>("WFSUs")</u> |
|------------------------|-----------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------|
| 2019/20                | 1,662                                               | 1,662                                                               | 2,078                                                   |
| 2020/21                | 1,626 (b)                                           | 1,617                                                               | 2,022                                                   |
| 2021/22                | 1,626 (b)                                           | 1,617                                                               | 2,022                                                   |
| 2022/23                | 1,626 (c)                                           | 1,626                                                               | 2,032                                                   |
| 2023/24                | 1,547                                               | 1,547                                                               | 1,935                                                   |
| 2024/25                | 1,526                                               | 1,526                                                               | 1,908                                                   |

- (a) *ADA is the total number of children enrolled in the District on the survey date of that year multiplied by a negotiated factor determined for districts in each state (currently 0.93751 for Arizona districts).*
- (b) *Pursuant to federal law, beginning in Fiscal Year 2021 the District elected to use the ADA from Fiscal Year 2019/20 (fall 2019 count) as its current ADA figure inserted in their Fiscal Year 2021 application.*
- (c) *Legislation passed in late 2021 provided that applications submitted in January 2022 for impact aid funding for federal fiscal year 2023 may use student count data as submitted in Fiscal Year 2022 applications. This no longer applies.*

Source: The Education Department and the District.

Pursuant to the Act, the Governing Board is required to cause an annual audit to be made of the Debt Service Fund and the Bond Building Fund, including all accounts and subaccounts therein. A certified public accountant must conduct the audit within 90 days after the end of the District's Fiscal Year (June 30).

The Act provides that the State pledges to and agrees with the holders of the Bonds that the State will not limit, alter or impair the ability of the District to qualify for Impact Aid Revenues, or in any way impair the rights and remedies of the holders of the Bonds, until all of the Bonds, together with the interest on the Bonds, interest on any unpaid installments of principal or interest and all costs and expenses in connection with any action or proceedings by or on behalf of the holders of the Bonds, are fully met and discharged. Additionally, Arizona state law presently provides that once the Bonds have been issued, the District cannot (except to refund prior issued bonds) issue general obligation bonds while the Bonds are outstanding.

#### **Limitations on Outstanding Amount and Debt Service**

Pursuant to the Act, impact aid revenue bonds issued by an Arizona school district (no matter their lien priority) are limited to a total aggregate principal amount of not to exceed three times (3x) the average of the school district's annual Impact Aid Revenues (including amounts paid for IDEA Funding) for the five (5) years immediately preceding the issuance of the impact aid revenue bonds.

The average annual Impact Aid Revenues for the District (including amounts paid for IDEA Funding) for the past five (5) completed years is \$13,712,788. Three times (3x) that amount is \$41,138,364, which represents the District's current limit on the total aggregate principal amount of impact aid revenue bonds that may be issued pursuant to the Act.

In addition to the limitation described above, the annual payment of principal and interest on impact aid revenue bonds each year may not, pursuant to the Act, exceed 75 percent of the "Net Impact Aid Revenues" of the district for the current year. Net Impact Aid Revenues means Impact Aid Revenues (including amounts paid for IDEA Funding) for the year after deducting the sum of specific amounts allocated for other purposes. The first two of such purposes relate to increases in the maintenance and operations budget or the capital outlay budget of the school district, each of which is specifically authorized and limited by State law. (Arizona budget restrictions prevent school districts from

increasing their maintenance and operations budgets and capital outlay budgets unless specifically authorized by law, even if the district has the revenues to pay for the increase.) The third purpose relates to funding of an education revenue equalization program. The specific budget adjustments which must be deducted from Impact Aid Revenues (including IDEA Funding) are as follows:

1. The amount of any increases to the district's maintenance and operations budget limit for the expenditure of Impact Aid Revenues allocated for children with disabilities and children residing on Indian lands, and heavily impacted school districts ("Impact Aid Add Ons").
2. The amount of Impact Aid Revenues necessary to fund any maintenance and operations budget override ("M&O Override") or capital outlay budget override ("Capital Outlay Override") adopted pursuant to applicable law that is to be funded from revenues from other than a levy of taxes upon taxable property within the district.
3. The amount of Impact Aid Revenues necessary to cover the local share of the state equalization program that is not funded by local property taxes. This amount is defined as the difference between the theoretical tax levy required by the State equalization program ("qualifying tax levy" or "QTL") and the district's actual primary tax levy associated with the State guarantee funding formula ("QTL Adjustment"). The QTL for unified school districts, such as the District, is currently \$3.1860 per \$100 of assessed value for fiscal year 2024/25 and is expected to be \$3.1212 per \$100 of assessed value for fiscal year 2025/26. No assurances can be given that the QTL will not be increased or decreased during the life of the Bonds.

#### **Additional Bonds**

The Trust Agreement provides that no obligations may be issued by the District (i) which have a claim on the Trust Estate senior to the Bonds, or (ii) which, other than additional parity bonds authorized to be issued by the District pursuant to the Trust Agreement (the "Additional Bonds"), have a claim on the Trust Estate on parity with the Bonds. Additional Bonds may be issued when there have been filed with the Trustee:

(a) A certified copy of a resolution of the District authorizing (1) the execution and delivery of a supplement to the Trust Agreement providing for, among other things, the date, rate or rates of interest on, maturity dates and redemption provisions of such Additional Bonds, and (2) the sale, issuance, execution and delivery of the Additional Bonds;

(b) An original executed counterpart of the supplement to the Trust Agreement;

(c) Instructions to the Trustee to segregate additional amounts from Impact Aid Revenues to increase the Debt Service Reserve Fund to an amount equaling or exceeding maximum annual debt service immediately after the initial issuance of a series of Additional Bonds;

(d) An opinion or opinions of nationally recognized bond counsel, addressed to the District, to the effect that issuance of the Additional Bonds is permitted under the Trust Agreement, the Additional Bonds have each been validly issued and are binding and enforceable against the District, subject to bankruptcy and equitable principles, and issuance of the Additional Bonds will not adversely affect the income tax status of interest on all of the impact aid revenue bonds of the District then Outstanding (unless interest on any then Outstanding impact aid revenue bonds of the District is already subject to federal income taxes);

(e) A request and authorization of the District to the Trustee to authenticate and deliver the Additional Bonds to such person or persons named therein after confirmation of payment to the Trustee for the account of the District of a specified sum with directions as to the disposition of such sum;

(f) A certificate of the District that the District is not in default under the Trust Agreement or any supplement thereto or amendment thereof, and evidence satisfactory to the Trustee that upon issuance of the Additional Bonds amounts will be deposited in the funds under the Trust Agreement adequate for the necessary balances therein after issuance of the Additional Bonds; and

(g) A certificate of the District certifying, among other things, that (i) no Event of Default has occurred and is continuing under the Trust Agreement, and (ii) the average annual Impact Aid Revenues received during the three most recently completed Fiscal Years have amounted to at least three (3) times the highest combined interest and principal requirements for any succeeding Fiscal Year for the impact aid revenue bonds of the District then Outstanding and proposed Additional Bonds then Outstanding and to be Outstanding.

In addition, as described under the heading “THE BONDS – Authorization and Purpose”, after issuance of the Bonds, the District will have no remaining authorization from the Election. Additional “new money” impact aid revenue bonds of the District will need to be approved by the vote of the qualified electors of the District at an election held for such purpose.

### **Reserve Fund**

Contemporaneously with delivery of the Bonds, the District will deposit, and the Trustee will agree to hold pursuant to the Trust Agreement, in the Debt Service Reserve Fund, an amount equal to \$760,625\*, to be funded with a portion of the proceeds from the Bonds. Amounts held in the Debt Service Reserve Fund are expected to be used to make a portion of the final principal and interest payment on the Bonds. The reserve requirement for the Bonds shall be an amount equal to the least of ten percent (10%) of the par amount of the Bonds, the maximum annual debt service of the Bonds or 125% of the average annual debt service of the Bonds (the “Required Reserve”). In connection with the issuance of any Additional Bonds, the Required Reserve will be recomputed for all impact aid revenue bonds of the District then to be Outstanding, including the Additional Bonds then being issued, and any required increase in the amount on deposit in the Debt Service Reserve Fund will be funded from Additional Bond proceeds, to the extent then permitted under the hereinafter defined Code, at issuance for the Additional Bonds. Any difference between the amount deposited to the Debt Service Reserve Fund from Additional Bond proceeds to increase the Debt Service Reserve Fund to the Series Required Reserve on all impact aid revenue bonds of the District to be Outstanding immediately after issuance of the Additional Bonds will be contributed by the District within five (5) years from the date of initial issuance of the respective Series of Additional Bonds. The Trustee shall segregate one-fifth (1/5) of such amount of Revenues from Revenues each year for five (5) years thereafter. The amount of any withdrawal for the purpose of subparagraph (i) herein will be restored by the Trustee depositing Impact Aid Revenues as received by the Trustee as agent for the Treasurer, into the Debt Service Reserve Fund until the Debt Service Reserve Fund holds an amount equal to the Required Reserve. In addition, if the fair market value of the investments in the Debt Service Reserve Fund is less than the Required Reserve on any December 1 or June 1, then the Trustee will restore the difference between the Required Reserve or during the first five years, the amount then required to be in the Debt Service Reserve Fund and the value of the Debt Service Reserve Fund by depositing Impact Aid Revenues as received by the Trustee into the Debt Service Reserve Fund until the Debt Service Reserve Fund holds an amount equal to the Required Reserve. Monies on deposit in the Debt Service Reserve Fund will be applied as follows:

- (i) On the date of each required payment from the Debt Service Fund, monies in the Debt Service Reserve Fund will be applied to cure any deficiency in the Debt Service Fund with respect to payments of principal of and interest on the Bonds when due and payable;
- (ii) Upon delivery of a certificate of the Superintendent of the District delivered to the Trustee, any amount in the Debt Service Reserve Fund in excess of the Required Reserve on any December 1 or June 1 will be (A) transferred to the Debt Service Fund and credited against the payments next becoming due (in direct order) in respect of the principal of or interest on Bonds, or (B) applied as may be specified in a certificate of the Superintendent of the District if such certificate is accompanied by an opinion of nationally recognized bond counsel acceptable to the Trustee with respect to the application of such funds;
- (iii) In each month during the 12-month period preceding the final maturity date of any Series of Bonds, monies held in the Debt Service Reserve Fund shall be credited against the payments otherwise due in respect of principal of and interest on such Series of Bonds in an amount equal to the lesser of the amount then remaining in the Debt Service Reserve Fund or the principal and interest payable during the final Bond Year for such Series of Bonds and shall be transferred to the Debt Service Fund for the payment of such principal and interest, provided, however, that no such credit shall be given and no such transfer shall be made if and to the extent that, immediately prior to such crediting and transfer, the amount on deposit in the Debt Service Reserve Fund is not at least equal to the Required

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\* Subject to change.

Reserve, less the amounts previously transferred to the Debt Service Reserve Fund during such 12-month period pursuant to this subparagraph; and

Any deposit made in connection with the issuance of Additional Bonds under the Trust Agreement may, if authorized under a supplemental trust agreement providing for the issuance of the Additional Bonds, be deposited into a separate, segregated account within the Debt Service Reserve Fund, provided that all accounts within the Debt Service Reserve Fund will be held for the equal and proportionate benefit of all owners of impact aid revenue bonds of the District and that the aggregate amount on deposit in all such accounts shall meet the requirements described under this subheading. Any supplemental trust agreement providing for the establishment of such separate accounts may contain such further provisions as may be necessary or appropriate for the proper administration of such accounts, including provisions establishing priorities for the application of amounts on deposit in the various accounts (including investment income) for the purposes set forth under this subheading.

## **RISK FACTORS**

The payment of the debt service on the Bonds will be dependent upon receipt of amounts of Impact Aid Revenues pursuant to the Program by or on behalf of the District. Anyone considering investing in the Bonds should carefully examine this Official Statement with respect to such matters as well as the other topics discussed herein.

### **Authorization in Federal Budget and Subsequent Appropriation; Changes in Funding Formula**

Payment of amounts pursuant to the Program is subject to periodic reauthorization of the Program and to annual appropriation of funds for the Program. If the Program is not reauthorized or sufficient appropriations not provided or if the same do not occur on a timely basis, there may not be amounts paid pursuant to the Program in sufficient amounts or on time to pay the principal of and interest on the Bonds as they become due.

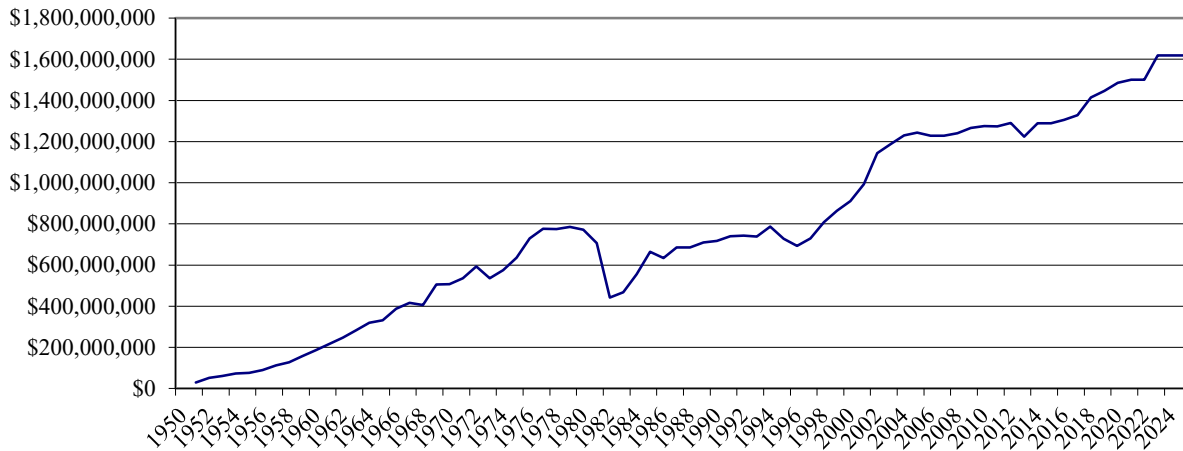
Congress has typically reauthorized the Program, including funding for the Program, every five years. Thereafter, during each year of the five-year cycle, Congress must appropriate funds for the Program and the President of the United States (the “President”) must then approve Congress’ appropriation. Unlike other federal programs, the Program is not “forward funded,” i.e., it must be funded in the same fiscal year as amounts are appropriated; funding of the previous year’s appropriation does not guarantee funding in the current fiscal year whether or not an appropriation bill has been passed by Congress and approved by the President. This lack of “forward funding” can result in delays at either the authorization or appropriation stage of the process.

Between 1951 and the present, the Program has been reauthorized 17 times, including the most recent reauthorization in 2015. The 2015 authorization expired September 30, 2020, but as a result of the language contained in the General Education Provisions Act, the federal act providing for the most recent authorization, a one-year automatic extension occurred at the end of federal fiscal year 2020 and each succeeding fiscal year thereafter, as Congress took no action on reauthorization. Further reauthorization will require additional action by Congress. Reports from individuals believed to be close to the reauthorization process indicate the final consideration of full reauthorization will likely not occur at any time during the 119th Congress. Historically Congress has never failed to extend the Elementary and Secondary Education Act (the “ESEA”), which includes the Program, in instances when it was not reauthorized within the time frame required.

As indicated in TABLE 4, over the 74-year history of the Program, funding has at times been reduced. Since 1950, the annual amount appropriated to the Program by Congress has been less than that provided during the respective previous year nine times. Until 1969 the Program was fully funded each year (sufficient funds to provide all districts their maximum payment). In 1969, military spending priorities led to a 2.4% reduction in the Program. The largest decline in year-over-year appropriations occurred in 1983 when a 37.5% decline culminated three consecutive years of falling appropriations. It was not until 1994 that the total appropriation reestablished the 1979 peak of \$786 million. In the Program’s history, the greatest five-year drop was 43% (1977-1982), while the greatest ten-year drop was 25% (1972-1982). In 2013 the program took a \$65 million cut, regaining the loss in 2014. Between 2015 and 2024, the Basic Support Program increased by \$330 million, averaging \$33 million per year, with the LOT payout reaching 100+ percent in 2020 and has remained above 100+ percent through 2024.



**TABLE 4**  
**HISTORY OF IMPACT AID APPROPRIATIONS – TOTAL PROGRAM (a)**  
**(Based on federal fiscal year)**



(a) Between 2015 and 2024 the Basic Support Program increased by \$330 million averaging \$33 million per year with the LOT payout reaching 100+ percent in 2020 and has remained above 100+ percent through 2024.

Source: NAFIS (Washington D.C.) and the Education Department.

Even if the Program has been reauthorized, if Congress cannot agree on the terms of the next annual appropriations bill as was the case with the federal fiscal year 2025 appropriations bill, Congress will pass a “continuing spending resolution.” Under a continuing spending resolution, federal agencies are allowed to spend at the level of the previous year’s appropriation, but only for the period of the resolution. As a result, most school districts received their initial Impact Aid Revenues later than usual. However, most heavily impacted school districts, upon request to the Education Department, did receive payments in the fall or early January but only at 50% LOT, while others may not receive an initial payment until as late as March or April. Because the 2025 appropriations bill did not pass until mid-March, the District can expect its second interim payment in April at date to be determined. The District's final federal fiscal year 2025 payment was paid out in the first week of June, 2025.

If, for any federal fiscal year, an annual appropriations bill is not timely passed and signed into law, and if a continuing spending resolution is not passed, the federal government will cease to operate and monies will not be available to fund the Program. This was the case during both the former President Reagan and former President Clinton administrations.

While the basic funding formula for the Program has been substantially the same since 1950, changes made to the program in 1994 creating the Learning Opportunity Threshold formula (“LOT”) has brought stability and a rational approach to the funding formula and is supported by Congress. No assurances can be made that the formula won’t be modified in a way adverse to the District and beneficial owners of the Bonds in the future.

### Federal Legislative and Executive Actions

By Executive Order dated March 20, 2025, the President directed the Secretary of Education, “to the maximum extent appropriate and permitted by law, [to] take all necessary steps to facilitate the closure of the [Education Department]...while ensuring the effective and uninterrupted delivery of services, programs, and benefits on which Americans rely.” As described herein, amounts of Impact Aid Revenues are allocated by the Education Department to school districts that have timely filed applications to receive Impact Aid Revenues and had their applications approved by the Education Department. As of March 11, 2025, the Education Department has initiated a reduction in

force impacting nearly 50% of the Education Department's workforce. Total closure of the Education Department could only occur based on an act of Congress. Closure of the Education Department will not result in elimination of the Program as only Congress can eliminate or change the purpose of the Program. It is not known at this time what effect closure or restructuring of the Education Department could have on the District's receipt of Impact Aid Revenues, but the effect could be material.

In addition to those described above, other federal legislative and executive actions and initiatives could adversely affect the Program and the District's receipt of Impact Aid Revenues, and the effect could be material. Such possible actions include, but are not limited to: regulatory changes to programs administered by federal agencies including the Education Department and others; and reduced funding for federal programs. By way of example, one potential impact to the Program is the staff reductions to the National Center for Education Statistics ("NCES") as part of the reduction in force at the Education Department described above. NCES has historically calculated the LCR's needed for payment determinations under the Program each year. The significant staff reduction at NCES could delay calculation of the LCR which could in turn delay the completion of Impact Aid payments.

While the financial impact on the District resulting from the totality of developments at the federal level cannot be quantified at this time, any such developments may, directly or indirectly, have a material adverse effect on the current and future financial profile and operating performance of the District.

### **Failure to File Program Application On Time or at All**

Applications for payment of Impact Aid Revenues are due to be filed generally no later than January 31 of each year. If the appropriate application for funding through the Program is not submitted by the District by its due date, the District may not receive any Impact Aid Revenues in the following year. If the application is submitted within 60 days after the due date, the District will receive 90 percent of the amount for which it is eligible. If not submitted during such 60 days, then no Impact Aid Revenues will be provided unless a supplemental appropriation is made by Congress for such purpose.

An application will not be funded until it is complete. For the District, IPPs must also be included. Any omission in the foregoing can delay payment under the Program.

The Trust Agreement requires the District to annually file with the Education Department (or any successor agency that becomes responsible for administering the Impact Aid program) a complete application and any required supporting information required to obtain the maximum amount of Impact Aid Revenues due the District under federal law, and requires the District to file with the Trustee, no later than January 15 of each year, a certificate certifying compliance with such requirement with a copy of the application attached. Should the due date for filing Impact Aid applications with the Education Department be changed from January 31st in any given year, then the District is required to file a certificate with the Trustee not later than January 15th of the given year informing the Trustee of such change and shall further file with the Trustee not later than 15 days prior to such changed due date another certificate certifying that it has complied with the filing requirement and attaching a copy of the completed and filed application.

The receipt of Impact Aid payments from the Education Department in the greatest eligible amounts depends upon the District's ability to recruit and retain officials who are familiar with the requirements of the Program and who will timely initiate, complete and submit the applications and accompanying documentation. The District's management team is experienced and familiar with and responsible for the application and the Program. However, to the extent future management staff is unfamiliar with the requirements of the Program or fails to complete and submit applications and documentation to the Education Department in a timely manner, the District's receipt of otherwise-eligible Impact Aid payments could be delayed, reduced or eliminated.

### **Withholding of Program Monies Due to the District**

The State must provide the Education Department with certain financial information necessary for the Education Department to make calculations with respect to the Program, including data relating to the average cost of education, before Impact Aid Revenues will be released to the District. When this data is not provided, funds will not be released to the District until the data is received and reviewed by the Education Department.

Payments of amounts for which the District is eligible are based in part upon information contained in its application or otherwise submitted by it. Payment may be subject to upward or downward adjustments for reasons such as the following: actual financial data at the close of the District's Fiscal Year that differs from data previously estimated or reported; a field review or audit of the information upon which the amount for which the District is eligible is based or an adjustment in the percentage of amount paid (commonly referred to as "proration").

An overpayment occurs when the amount for which the District is eligible or a prorated amount is adjusted downward or when an initial payment for a particular federal fiscal year is more than the amount for which the District is eligible for that year. An overpayment remains in the Program payment system for possible collection by administrative offset against subsequent payments due to the District, or if an overpayment amount has not been liquidated by the end of a period determined by the Education Department, the remaining balance may be transferred as an account receivable to the Education Department for collection by the Education Department's normal collection process. The District is notified by letter when this transfer is made. After a transfer, it is no longer possible to offset automatically any remaining balance against following Impact Aid Revenue payments unless the District makes special arrangements with the Education Department. The District receives instructions at the time of transfer of any account receivable to the Education Department regarding requirements for repayment of the balance outstanding.

If the District chooses to appeal any of the determinations upon which the amount for which the District is eligible or overpayment amounts were based, a written request under Section 7012 requesting forgiveness of an overpayment or under Section 7011 the district can request an administrative law judge to conduct hearing in accordance with such section and the request must be submitted within 60 calendar days from the date it receives the applicable voucher.

If the District is not in compliance with the requirements of the Program relating to IPPs, the Secretary of Education may withhold payment of all amounts for which the District is eligible under the Program until such time as the remedy required is undertaken, except where the complaining tribe or its designee formally requests that such funds be released to the District. The Secretary of Education may not withhold such amounts during the course of the school year if the Secretary of Education determines that such withholding would substantially disrupt the educational programs of the District. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Impact Aid Revenues – *Special Factors Relating to Federally Connected Students on Indian Lands.*"

#### **"Freeze" of Payment of Amounts as a Result of Audit**

A survey or list of students counted for Program calculations must be done as of a specific date and included in each application for Impact Aid Revenues and must contain a variety of information about each student and proof of where the student lives. Any CWD student counted as a CWD student must have a valid "individualized education plan" in force on the count date. These surveys or lists are usually audited by the Education Department every two years. If discrepancies are found, Impact Aid Revenues can be withheld until matters can be resolved. An over-count in an application can lead to a reduction of funding, usually at the next funds distribution.

The District participates in other federal programs that have specific compliance requirements, including, for instance, those that require Indian contractors be given preference under certain circumstances. It is possible that if the District fails to comply with any those requirements, all federal funds may cease to flow to the District until the related issue is resolved.

#### **Past Decreases in Enrollment**

As noted under the subheading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Impact Aid Revenues" and particularly in TABLE 3, WFSUs are important component in the calculation of amounts of Impact Aid Revenues paid to a school district. Decreases in WFSUs of the District in the future may decrease the amounts of Impact Aid Revenues paid to the District in the future. Should that occur, under the Program, if a district's payment drops by 20% in any one federal fiscal year, the district would receive in the year following the loss a payment no less than 90% of the amount prior to the drop in payment; the second year the district would receive a payment no less than 85% of the amount received in the prior fiscal year and in the third year 80% of the amount received in the prior fiscal year. The provision was included in the Program to provide funding stability for a district that normally through the loss of students would see its payment drop by no less than 20% after the third year the district would be paid based on its actual student numbers.

## **Reductions or Deferrals of State Aid Payments to District**

Although not a source which is pledged or obligated to the payment of the principal of, premium and interest on the Bonds, aid appropriations by the Arizona Legislature for school districts constitute a significant portion of the District's General Fund for operations. See APPENDIX C – "THE DISTRICT – AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2024." Reductions or delays in receiving such State aid payments could materially and adversely affect the District's ability to maintain current levels of professional staff and educational and related programs which attract and retain students in District schools, which students are the primary component in determining the amount of Impact Aid payments to which the District is entitled.

## **Bankruptcy**

Bankruptcy of the District would affect adversely payment of debt service on the Bonds, including payment on a timely basis. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) and relating to the Trust Agreement will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

## **STATE CONSTITUTIONAL LIMITATION ON EXPENDITURES**

Pursuant to Article 9, Section 21, Arizona Constitution (the "AEL Provision"), Arizona public school districts are subject to an aggregate expenditure limitation (the "Aggregate Expenditure Limitation"), determined annually by the State Economic Estimates Commission. The aggregate expenditure of revenues described in the AEL Provision for all public school districts, determined annually by November 1 of each year by the Arizona Department of Education ("ADE"), may only exceed the Aggregate Expenditure Limitation if authorized by the State legislature (the "Legislature") for a single fiscal year, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the Legislature (the "Override") by March 1 of the fiscal year. Certain public school district revenues, including federal grants, federal COVID-19 relief funds and budget overrides, are not subject to the Aggregate Expenditure Limitation. In prior fiscal years, public school districts have either not exceeded the Aggregate Expenditure Limitation or have exceeded the Aggregate Expenditure Limitation with Override authorization from the Legislature.

If the Legislature does not pass the Override (if needed) in a fiscal year, public school districts, including the District, would be required to reduce fiscal year budgeted expenditures by April 1 of such year. Each public school district is responsible for the manner in which it would deal with a required pro-rata reduction of relevant aggregate expenditures. Actions like furloughs, a hiring freeze, salary reductions, shifting from in-person to remote instruction and using available fund balances are various options considered by school districts in Arizona. There is a range of outcomes in future fiscal years that could be achieved by the District by taking some or all of the actions described in the immediately preceding sentence (or other, similar actions). Certain actions would allow the District to continue regular operations while other actions could result in significantly reduced operations of the District.

Based on a report of ADE, the Aggregate Expenditure Limitation would have been exceeded by approximately \$1.204 billion (14.48%) in fiscal year 2024/25. On June 15, 2024, the Legislature passed the Override providing public school districts with the authority to spend amounts as budgeted in fiscal year 2024/25 and to continue operations as normal.

Even with the approval of the Override by the Legislature for fiscal year 2024/25, it is expected that school districts will continue to exceed the Aggregate Expenditure Limitation in future fiscal years. The Legislature will need to pass separate Overrides in and for such future fiscal years unless, by State voter approval at a General Election to be held in November 2026 or thereafter, the AEL Provision is repealed or amended to permit a more permanent increase in the Aggregate Expenditure Limitation.

Representatives of the District are unable to predict what actions would be taken by the District in future fiscal years in which the Aggregate Expenditure Limitation is exceeded and the Legislature does not pass an Override, though actions like furloughs, a hiring freeze, salary reductions, shifting from in-person to remote instruction and using available fund balances could be considered. There is a range of outcomes in future fiscal years that could be achieved by the District by taking some or all of the actions described in the immediately preceding sentence (or other, similar

actions). Certain actions would allow the District to continue regular operations while other actions could result in significantly reduced operations of the District. See APPENDIX A – “SCHEDULE OF CASH FLOWS PROJECTION” herein.

As stated elsewhere herein, the Bonds will be payable from Impact Aid Revenues as described under “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.” *Although the Legislature's failure to pass an Override in future fiscal years (if needed) would not directly affect the payment of Impact Aid Revenues by the Education Department to the Trustee for payment of principal of and interest on the Bonds because the Aggregate Expenditure Limitation does not apply to payment of debt service on long-term obligations of the District, including the Bonds, the budget and spending reductions by the District required as a result of the Legislature's failure to pass an Override, whether those described in the preceding paragraph or otherwise, could result in a reduction in the number of students attending District schools, and a reduction in ADA of the District which is a basis for computing the amount of Impact Aid Revenues for which the District is eligible.* See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Impact Aid Revenues” herein. An investment in the Bonds should be made only after due consideration of the foregoing. See also NOTE 5 – Potential Budget Reduction – Aggregate Spending Limit in APPENDIX A – “SCHEDULE OF CASH FLOWS PROJECTIONS.”

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The Governing Board has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”), which relates to the ability of certain financial institutions to deduct interest expense allocable to holding and carrying tax-exempt obligations for federal income tax purposes. The Governing Board, through one or more of its representatives, will represent and warrant that it does not reasonably anticipate that the aggregate amount of tax-exempt obligations that will be issued by or on behalf of the District in calendar year 2025 will exceed \$10,000,000.

## SOURCES AND USES OF FUNDS

### Sources of Funds

|                                  | The Bonds    |
|----------------------------------|--------------|
| Principal Amount                 | \$8,425,000* |
| [Net] Original Issue Premium (a) |              |
| Total Sources of Funds           |              |

### Uses of Funds

|                                      |  |
|--------------------------------------|--|
| Deposit to Bond Building Fund        |  |
| Deposit to Debt Service Reserve Fund |  |
| Payment of Costs of Issuance (b)     |  |
| Total Uses of Funds                  |  |

\* Subject to change.

(a) Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.

(b) Will include compensation and costs of the Underwriter (as defined herein) with respect to the Bonds.

## ESTIMATED DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE\*

The following table illustrates the (i) estimated annual debt service on the Bonds and (ii) total estimated annual debt service on all impact aid revenue bonds of the District outstanding after the issuance of the Bonds.

**TABLE 5**

**Schedule of Estimated Annual Debt Service Requirements and Projected Coverage (a)**  
**Kayenta Unified School District No. 27**

| Fiscal<br>Year | Impact Aid<br>Revenues<br>Available<br>to Pay Debt<br>Service (b) | The Improvement Bonds |                | Total<br>Estimated<br>Annual<br>Debt Service<br>Requirements* | Projected<br>Coverage (b) |
|----------------|-------------------------------------------------------------------|-----------------------|----------------|---------------------------------------------------------------|---------------------------|
|                |                                                                   | Principal             | Interest (c)   |                                                               |                           |
| 2024/25        | \$ 14,974,390                                                     |                       |                |                                                               |                           |
| 2025/26        |                                                                   | \$ 275,000            | \$ 482,016 (d) | \$ 757,016                                                    |                           |
| 2026/27        |                                                                   | 280,000               | 480,625        | 760,625                                                       | 19.7 x                    |
| 2027/28        |                                                                   | 290,000               | 466,625        | 756,625                                                       |                           |
| 2028/29        |                                                                   | 305,000               | 452,125        | 757,125                                                       |                           |
| 2029/30        |                                                                   | 320,000               | 436,875        | 756,875                                                       |                           |
| 2030/31        |                                                                   | 335,000               | 420,875        | 755,875                                                       |                           |
| 2031/32        |                                                                   | 355,000               | 402,450        | 757,450                                                       |                           |
| 2032/33        |                                                                   | 375,000               | 382,925        | 757,925                                                       |                           |
| 2033/34        |                                                                   | 395,000               | 362,300        | 757,300                                                       |                           |
| 2034/35        |                                                                   | 420,000               | 340,575        | 760,575                                                       |                           |
| 2035/36        |                                                                   | 440,000               | 317,475        | 757,475                                                       |                           |
| 2036/37        |                                                                   | 465,000               | 291,075        | 756,075                                                       |                           |
| 2037/38        |                                                                   | 495,000               | 263,175        | 758,175                                                       |                           |
| 2038/39        |                                                                   | 525,000               | 233,475        | 758,475                                                       |                           |
| 2039/40        |                                                                   | 555,000               | 201,975        | 756,975                                                       |                           |
| 2040/41        |                                                                   | 590,000               | 168,675        | 758,675                                                       |                           |
| 2041/42        |                                                                   | 625,000               | 130,325        | 755,325                                                       |                           |
| 2042/43        |                                                                   | 670,000               | 89,700         | 759,700                                                       |                           |
| 2043/44        |                                                                   | 710,000               | 46,150         | 756,150 (e)                                                   |                           |
|                |                                                                   | <u>\$ 8,425,000</u>   |                |                                                               |                           |

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the “Underwriter” or “Stifel”).

(b) The projected coverage is calculated against the amount of Impact Aid Revenues received by the District less IDEA Funding for fiscal year 2024/25. See TABLE 2. The amounts of Impact Aid Revenues received by the District are the subject of the formula described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Impact Aid Revenues – In General.” The District cannot increase the amounts of Impact Aid Revenues it is eligible to receive to effect a specific coverage multiple as such amounts are subject to the determinations of the Education Department and authorization and appropriation by Congress, matters outside the control of the District.

(c) Interest on the Bonds is estimated.

(d) The first interest payment on the Bonds will be due on January 1, 2026\*. Thereafter, interest payments will be made semiannually on July 1 and January 1 until maturity or prior redemption.

(e) Amounts in the Debt Service Reserve Fund are expected to be used to make a portion of the final principal and interest payment on the Bonds.

\* Subject to change.

## **LITIGATION**

No litigation or administrative action or proceeding is pending to restrain or enjoin, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, collection of Impact Aid Revenues to pay the debt service on the Bonds, to contest or question the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. Representatives of the District will deliver a certificate to the same effect at the time of the initial delivery of the Bonds.

## **RATING**

S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P") has assigned a rating of "A+" to the Bonds. Such rating reflects only the view of S&P. An explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31<sup>st</sup> Floor, San Francisco, California 94111. Such rating may be revised or withdrawn entirely at any time by S&P if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds. The District will covenant in its continuing disclosure certificate with respect to the Bonds that it will file notice of any formal change in any rating relating to the Bonds. See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

## **LEGAL MATTERS**

The Bonds are to be sold with the understanding that the District will furnish the Underwriter with the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel ("Bond Counsel") addressing legal matters relating to the validity of the Bonds under Arizona law, and with regard to the tax-exempt status of the interest income thereon (see "TAX EXEMPTION"). The signed legal opinion of Bond Counsel is dated and premised on the law in effect only as of the date of original delivery of the Bonds and will be delivered to the District at the time of original issuance. The fees of Bond Counsel and counsel to the Underwriter are expected to be paid from the proceeds of the sale of the Bonds and are contingent upon delivery of the Bonds.

The proposed text of the legal opinion is set forth as APPENDIX E – "FORM OF APPROVING LEGAL OPINION." The legal opinion to be delivered may vary from the text of APPENDIX E – "FORM OF APPROVING LEGAL OPINION" if necessary to reflect the facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Bond Counsel has reviewed the information in the tax caption on the cover page as well as the information under the headings "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," "QUALIFIED TAX-EXEMPT OBLIGATIONS," "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT," "BOND PREMIUM," "RELATIONSHIP AMONG PARTIES" (but only as it applies to Bond Counsel) and "CONTINUING DISCLOSURE" (except as it relates to the District's compliance with prior continuing disclosure undertakings) and in APPENDICES E – "FORM OF APPROVING LEGAL OPINION" and F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" but otherwise has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness or sufficiency. Bond Counsel has neither examined nor attempted to examine nor verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto.

Certain legal matters will be passed upon for the Underwriter by Greenberg Traurig, LLP, Phoenix, Arizona, counsel to the Underwriter.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the Program, the Education Department, the property tax system of the State and numerous matters, both financial and non-financial, impacting the operations of school districts which could have a material impact on the District and could adversely affect the secondary market value and

marketability (liquidity) of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. The rendering of an opinion also does not guarantee the outcome of any legal dispute that may arise out of the transaction.

## **TAX EXEMPTION**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District as described below, interest income on the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest income on the Bonds is exempt from State income taxes. The opinion of Bond Counsel will be dated as of the date of initial delivery of the Bonds. The form of such opinion is included as APPENDIX F – “FORM OF APPROVING LEGAL OPINION” attached hereto.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of its investment earnings with respect to the Bonds. The District has covenanted to comply with the provisions of the Code relating to such matters and the opinion of Bond Counsel assumes continuing compliance with such covenants. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes, under certain circumstances, from the date of initial issuance. The Bonds do not provide for an adjustment in the interest rate or yield in the event of taxability and an event of taxability does not cause an acceleration of the principal on the Bonds.

The Code also imposes an “alternative minimum tax” upon certain individuals and corporations. A taxpayer’s “alternative minimum taxable income” (“AMTI”) is its taxable income with certain adjustments. Interest income on the Bonds is not an item of tax preference to be included in the AMTI. Notwithstanding the preceding sentence, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

Although Bond Counsel will render an opinion that, as of the delivery date of the Bonds, interest income on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect a Beneficial Owner’s (as defined in APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM”) federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Bonds, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the applicability of such tax consequences to the respective Beneficial Owner. The nature and extent of these other tax consequences will depend upon the Beneficial Owner’s particular tax status and the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Bonds are not “private activity bonds” within the meaning of Section 141 of the Code.

From time to time, there are legislative proposals in Congress, which, if enacted or made effective, could alter or amend the federal tax matters referred to above or adversely affect the market value and marketability (liquidity) of the Bonds. Any such change that occurs before initial delivery of the Bonds could cause Bond Counsel to deliver an opinion substantially different from the opinion shown in APPENDIX F – “FORM OF APPROVING LEGAL OPINION.” The extent of change in Bond Counsel’s opinion cannot be determined at this time. It cannot be predicted whether, when or in what form any such proposal or proposals might be enacted or whether, if enacted, such proposal or proposals would apply to obligations (such as the Bonds) issued prior to the enactment or effective date. Prospective



purchasers should consult with their own tax advisors regarding any pending or proposed federal income tax legislation.

## **ORIGINAL ISSUE DISCOUNT**

The initial public offering prices of the Bonds maturing on July 1, 20\_\_ through and including July 1, 20\_\_ (collectively, the “Discount Bonds”), are less than the respective amounts payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price (assuming it is the first price at which a substantial amount of that maturity of Discount Bonds was sold (the “OID Issue Price”)) of the Discount Bonds and the amount payable at maturity of the Discount Bonds will be treated as “original issue discount.” With respect to a Beneficial Owner who purchases a Discount Bond in the initial public offering at the OID Issue Price and who holds the Discount Bond to maturity, the full amount of original issue discount will constitute interest income which is not includible in the gross income of the Beneficial Owner of the Discount Bond for federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight-line interpolation between compounding dates).

The amount of original issue discount accreting each period will be added to the Beneficial Owner’s tax basis for the Discount Bond. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bond. An initial Beneficial Owner of a Discount Bond who disposes of the Discount Bond prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Bond prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Discount Bonds. Beneficial Owners who do not purchase the Discount Bonds in the initial offering at the OID Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Bonds.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Bond may result in certain collateral federal income tax consequences as described in “TAX EXEMPTION” herein.

Beneficial Owners of Discount Bonds in states other than Arizona should consult their own tax advisors with respect to the state and local tax consequences of owning Discount Bonds.

## **BOND PREMIUM**

The initial public offering prices of the Bonds maturing on July 1, 20\_\_ through and including July 1, 20\_\_ (collectively, the “Premium Bonds”) are greater than the amount payable on such Premium Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner’s yield to maturity. Beneficial Owners of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

## UNDERWRITING

The Bonds will be purchased by the Underwriter at an aggregate purchase price of \$\_\_\_\_\_, pursuant to a bond purchase agreement (the “Purchase Contract”) entered into by and between the District and the Underwriter. If the Bonds are sold to produce the yields shown on the inside front cover page hereof, the Underwriter’s compensation will be \$\_\_\_\_\_. The Purchase Contract provides that the Underwriter will purchase all of the Bonds so offered if any are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at yields lower than the public offering yields stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter without amendment of the Official Statement.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

## RELATIONSHIP AMONG PARTIES

Bond Counsel has previously represented, and is currently representing, the Underwriter with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter and may do so in the future. Bond Counsel also serves and has served as bond counsel for one or more of the political subdivisions that the District territorially overlaps. Counsel to the Underwriter has previously acted as bond counsel with respect to other bonds underwritten by the Underwriter and may continue to do so in the future if requested.

## CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than May 1 in each year commencing May 1, 2026 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the District as such will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access System, each as described in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12(b)(5) (the “Rule”). A failure by the District to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. *Pursuant to Arizona Law, the ability of the District to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the District not comply with such covenants due to

a failure to appropriate for such purpose, the District has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds and specifically their market price and transferability.

The District has not previously entered into a continuing disclosure agreement. The District has implemented written procedures to facilitate compliance with the continuing disclosure undertaking related to the Bonds and future similar continuing disclosure undertakings in all material respects.

## GENERAL PURPOSE FINANCIAL STATEMENTS

The annual comprehensive financial report of the District for the fiscal year ended June 30, 2024, a copy of which is included in APPENDIX C – “THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024,” includes the District’s financial statements for the fiscal year ended June 30, 2024, that were audited by Heinfeld, Meech & Co., P.C. (the “Auditor”), a certified public accounting firm, to the extent indicated in its report thereon. Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. **The District has not requested the consent of the Auditor to include its report and the Auditor has performed no procedures subsequent to rendering its report on the financial statements.**

**THE FINANCIAL STATEMENTS INCLUDED IN APPENDIX C OF THIS OFFICIAL STATEMENT ARE CURRENT AS OF THEIR DATE ONLY AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE DISTRICT.**

*Financial Statement Findings.* Also included in Appendix C – “AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024” is the Single Audit Report prepared by the Auditor (the “Report”) regarding the Auditor’s consideration of the District’s internal control over financial reporting and the Auditor’s test of the District’s compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The Report identified a material weakness and a significant deficiency in the District’s internal control over financial reporting and a significant deficiency in the District’s internal control over major programs.

The various findings in the Report (certain of which were repeat findings from prior fiscal years) relate to: (i) inadequate internal controls over financial reporting and cash, (ii) inadequate internal controls over capital assets, and (iii) inadequate internal controls over federal reporting compliance.

The District’s plan to address the findings described in the Report is set forth in its corrective action plan (the “Plan”), which is attached to the Report and included in Appendix C – “AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024.” See the Report and the Plan for additional information.

*Letters from Arizona Auditor General Regarding State Uniform System of Financial Records.* On April 16, 2025, the District received a letter (the “April Letter”) from the Arizona Auditor General (the “Auditor General”), the State office charged with prescribing a Uniform System of Financial Records (“USFR”) for Arizona school districts. The April Letter indicated (i) that the Auditor General had not received the District’s audited financial statements or USFR Compliance Questionnaire for the fiscal year ended June 30, 2024, by March 31, 2025, as required by Section 15-914, Arizona Revised Statutes and the USFR, and (ii) the District has not been in compliance with the USFR since June 2024 based on the Auditor General’s review of significant deficiencies cited in the District’s audit reports and USFR Questionnaire for the fiscal year ended June 30, 2023.

In response to the April Letter, the District subsequently submitted to the Auditor General the District’s audited financial statements and USFR Compliance Questionnaire for the fiscal year ended June 30, 2024, and the Auditor General’s office conducted a status review of the District’s records and procedures to determine whether the District remains noncompliant with the USFR. Based on such review (and as indicated in a letter (the “June Letter”) received by the District from the Auditor General, dated June 5, 2025), the Auditor General determined that the District is no longer in noncompliance with the USFR. However, the June Letter indicated that certain deficiencies remain outstanding, the most significant of which relate to property control and information technology. The District is taking action to correct all outstanding deficiencies such that future audit reports will reflect that such deficiencies have been corrected.

## FORECASTED STATEMENT

A Schedule of Cash Flows Projection for the years ending June 30, 2026 through June 30, 2035 (the “Cash Flows Projections”), a copy of which is included in APPENDIX A of this Official Statement, has been prepared by Heinfeld, Meech & Co., P.C., Certified Public Accountants. The assumptions subsumed into the Cash Flows Projections are included in the notes thereto and should be reviewed carefully. ***The Cash Flows Projections are a “forward looking” statement and should be considered with an abundance of caution.*** “Forward-looking statements” like this might fall within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, if the foregoing applied to the Bonds. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in such Cash Flows Projections. Heinfeld, Meech & Co., P.C has provided consent to use of the Cash Flows Projections in this Official Statement. **See however “RISK FACTORS.”**

## CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. All financial and other information in this Official Statement has been derived by the District from official records and other sources and is believed by the District to be accurate and reliable. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District and its accuracy is not guaranteed. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

KAYENTA UNIFIED SCHOOL DISTRICT NO. 27  
OF NAVAJO COUNTY, ARIZONA

By: \_\_\_\_\_  
President of the Governing Board

**APPENDIX A**  
**SCHEDULE OF CASH FLOWS PROJECTION**

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June 6, 2025

Lemual Adson  
Superintendent  
Kayenta Unified School District #27  
PO Box 337  
US Highway 162  
Kayenta, AZ 86033  
[lemaul.adson@kayenta.k12.az.us](mailto:lemaul.adson@kayenta.k12.az.us)

RE: Federal Impact Aid Fund – Schedule of Cash Flow Projection

Dear Mr. Adson:

At your request, we have completed the analysis of the captioned matter and have summarized the analysis in this report for your consideration.

The Kayenta Unified School District of Navajo County, Arizona (District) is issuing \$8,500,000\* aggregate principal amount of Impact Aid Revenue Bonds, Series 2025 which are the subject of the Official Statement in which this report is included (Bonds) for the purpose of football field and track renovations, fitness center and locker room repairs and renovations, swimming pool repairs and security and information technology upgrades.

This report was prepared to demonstrate what significant effects issuance of the Bonds would have on the cash flows of the District for the fiscal years ended June 30, 2026 through June 30, 2035. The comparative historical information presented for the year ended June 30, 2023, and June 30, 2024, was derived from the financial statements for that year which were audited by the District's independent audit firm. The comparative information for the current year ending June 30, 2025, is based on current projections for year end.

This cash flow analysis is limited to presenting in the form of a projection that is the representation of management of the District and does not include evaluation of the support for the assumptions underlying the projection. We do not express an opinion or any other form of assurance on the assumptions.

There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Currently, the District Governing Board has not established a Fund Balance Reserve Policy to sustain a minimum fund balance. It is recommended the District Governing Board establish a minimum fund balance policy of a minimum of \$2.0 million in cash at any given time within the Federal Impact Aid Fund (Fund 378) to ensure there is at least two years of debt service payments in reserve. Further, it is important to understand that this cash flow analysis is built upon an assumption that the District reduces its expenditures from its current trajectory to fund the future debt service payments and have spending capacity for minor inflation increases each year. This will require management to actively monitor and limit expenditures and not add additional expenditures during the period of paying the debt service on the Bonds. This is further explained in the accompanying notes.

\*Preliminary, subject to change

This report is intended solely for the information and use of the District and the Underwriter to sell the Bonds and is not intended to be and should not be used for any other purpose.

Sincerely,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona



**KAYENTA UNIFIED SCHOOL DISTRICT OF  
NAVAJO COUNTY, ARIZONA  
SUMMARY OF SIGNIFICANT CASH FLOWS  
ASSUMPTIONS AND ACCOUNTING POLICIES  
YEARS ENDING JUNE 30, 2026 THROUGH JUNE 30, 2035**

The accompanying cash flows projection is based on assumptions provided by management of Kayenta Unified School District of Navajo County, Arizona (District) expected revenues, expenditures and changes in fund balance for the Federal Impact Aid Fund for years ending June 30, 2026 through June 30, 2035. The Federal Impact Aid Fund is governed by Section 7003 of P.L. 114-95 pursuant to which impact aid revenues (“Impact Aid Revenues”) are paid by the United States Department of Education. There are five major programs within the Impact Aid program, Federal Property – Section 7002, Basic Support – Section 7003 (a) and (b), Disabilities – Section 7003 (d), School Facilities – Section 7007 and Department owned Facilities – Section 7008. This cash flow projection focuses on the Basic Support (Section 7003 (a) and (b)) portion of the program. Accordingly, the cash flow projection reflects management’s assumptions as of the date of this cash flow projection, which includes the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the cash flows projection. There will usually be differences between the projected and actual results because events and circumstances frequently to not occur as expected, and those differences may be material. The comparative historical information for fiscal years 2023, and 2024 as presented in the District’s financial statements, and anticipated fiscal year 2025 is included. Fiscal years for purposes of this report are July 1 through June 30. The audited financial statements should be read for additional information.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This cash flow projection is presented using the current financial resources measurement focus. Revenues are recognized as soon as both measurable and available. Revenues are considered to be available when they are collectible within the fiscal period or soon enough thereafter to pay liabilities of that fiscal period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District accounts for prior year expenditures during the encumbrance period, a period of 60 days following the end of the fiscal year. During this time, all outstanding liabilities for goods and services received by June 30 are paid. For the purpose of this cash flow projection the encumbered expenses are expected to be paid.

**NOTE 1 – BEGINNING FUND BALANCE**

The beginning fund balance in fiscal year ended June 2024 of \$27,853,392 is comprised of the Federal Impact Aid Fund beginning cash balance.

## **NOTE 2 – REVENUES**

The forecasted amount for local revenue assumes that 2 percent interest will be earned on the cash balance throughout the year.

The forecasted amount for Impact Aid Revenue is based upon the amount actually received as of March 1, 2025 and anticipated to be received by June 30 equating to \$14,202,027. This represents 95 percent of Learning Opportunity Threshold (LOT) for fiscal year 2025 (LOT is described in the offering document in which this cash flow projection is included (the “Official Statement”)).

It is projected the District will receive at least 95 percent LOT rate for fiscal years 2025 through fiscal years 2026 and at least 90 percent LOT rate for fiscal years 2027 through 2035 within each given year. It is estimated that the remaining LOT payment for fiscal years 2025 and forward will be paid over the following three fiscal years. The amount presented on the accompanying cash flows for fiscal years 2023 and 2024 may differ from the schedules presented in the Official Statement as the cash flow represents figures derived from the District’s general ledger and may not agree with other computations of the District due to mistakes in recordation and adjustments (as described in the Official Statement under the heading “GENERAL PURPOSE FINANCIAL STATEMENTS”).

Enrollment is a major factor in the future Impact Aid Revenue. From fiscal year 2018 to fiscal year 2024, the District experienced an overall enrollment decline of 11.28% and has projected a continued enrollment decline of 4-5% through fiscal year 2026 when it anticipates stabilize with minimal growth of 1% for fiscal years 2027 through 2030 and experience no growth from fiscal years 2031 through 2035. This enrollment is then converted to Weighted Federal Student Unit (WSU), as described in the Official Statement, for purposes of federal funding. Impact Aid is funded on the prior year enrollment as reported on the Impact Aid application. The 2024 fiscal year enrollment reported on the 2025 fiscal year impact aid application was 1,628 students.

As described in the Official Statement, the impact aid program provides funding for certain students with disabilities under Section 7003 (d). The revenue projections for 2026 through 2035 do not account for these revenues. This is intentional due to the federal restrictions of their use. The intent of excluding this revenue is to provide additional contingency to the District to address special education program needs.

The second major factor in the future impact aid revenue is the Local Contribution Rate (LCR) as described in the Official Statement which reflects the per pupil spending nationwide. The LCR has increased in recent years with the largest program increase from fiscal year 2024 to fiscal year 2025 due to COVID-19 pandemic funds. The cash flow analysis projected revenues continue an estimated 4 percent increase to fiscal year 2026 and a conservative increase of 2.5 percent in subsequent years.

## **NOTE 3 – TRANSFERS OUT**

The transfer out category includes the debt service payment for the Bonds. While classified as a transfer out on the accompanying cash flow statements, it should be noted that the debt service payment will be intercepted by the Trustee prior to the impact aid revenues being distributed to the District.

For fiscal years 2026-35 transfers out include the Federal Impact Aid Fund transfer to the General Fund to cover the difference between the equalization assistance funding provided by the Arizona Department of Education and the General Fund budget limit. For the fiscal year ending on June 30, 2025, this amount is calculated at \$404,494 plus a prior year transfer of \$262,694. The cash flow analysis projects this transfer to remain at \$404,494 for fiscal years 2026-2035.

#### **NOTE 4 – EXPENDITURES**

The forecasted amount for the operational and capital expenditures from Impact Aid Revenues is based upon management's assumption that expenditures will increase by 3 percent each year for inflation over the projected fiscal year 2025 expenses. To account for the increase in expenses, and to maintain a minimum fund balance, the District will need to incur reductions each year starting in fiscal year 2029 starting at \$3,000,000 and increasing up to \$4,500,000 by fiscal years 2032 through 2035.

It should further be noted that Arizona has multiple funding sources for Arizona public school districts to include the following funds:

- Maintenance & Operations Fund is the fund where most of the day-to-day expenditures take place. Typical budgeted expenditures include salaries, employee benefits, supplies, utilities, transportation costs, maintenance and repair, and miscellaneous expenditures not of a capital nature. The M&O budget limit is based on a number of statutorily driven formulas which are heavily dependent upon the District enrollment.
- District Additional Assistance Fund is the fund where the capital expenditures including building renovations, textbooks, library books, instructional aids, furniture and equipment, vehicles and technology equipment and software is expended. Like the M&O budget limit, the capital budget is based on a number of statutorily driven formulas which is dependent upon the District enrollment.
- Building Renewal Grant Fund accounts for monies allocated by the School Facilities Oversight Board. These monies accounts for requests by school district to maintain the adequacy of existing school facilities.

#### **NOTE 5 – POTENTIAL BUDGET REDUCTION – AGGREGATE SPENDING LIMIT**

In 1980, a new public school funding formula which equalized funding across all public-school districts was established. At this same time, Arizona voters approved a limit on what public schools are allowed to spend in a year. This established a limit on school districts both at the individual and the aggregate. In recent years, Arizona school district funding has moved to current year funding, meaning funding is based on current year enrollment. However, the aggregate spending limit is based on prior year enrollment. In 2018, the State Legislature approved the continuation of Classroom Site Fund (CSF) for an additional 20 years (beginning in FY22). Since this was not sent to the voters for an exemption from the limit, this action removed the exemption which allowed these monies being excluded from the formula. With CSF funding now in the formula, it is projected Arizona school districts will continue to exceed the limit. To make a permanent change to the limit, the State Legislature would need to refer the issue to voters, or the legislature can override this limit annually by a super-majority vote. In fiscal years 2022, 2023, 2024 and 2025 the legislature approved this override.

If the reduction had gone into effect in fiscal year 2025, this reduction would have accounted for 14.48% of public school district budgets. The cash flow projections reflect the 14.48% fiscal year 2025 reduction amount in fiscal year 2026 and 2027 (\$2,403,461) in the event this issue is not resolved by either the Arizona voters or the State Legislature. The actual impact of this reduction will not be known until November 1, 2025. Notwithstanding, if the State Legislature does not approve an override, it is anticipated that the reduction amounts for fiscal years 2026 and 2027 to comply with the Aggregate Spending Limit will be more than the 14.48% fiscal year 2025 reduction amount, because the fiscal year 2026 and 2027 budgets will be larger in the aggregate. The Aggregate Spending Limit will continue to be a challenge for all Arizona public school districts until the voters approve a permanent change to this formula. The cash flow projection provides two general election cycles for the Arizona voters to override or modify this formula.

Without this reduction, the District would not need to incur reductions each year starting in fiscal year 2028 starting at \$1,500,000 and increasing up to \$2,000,000 by fiscal years 2031 through 2035.

#### **NOTE 6 – ENDING FUND BALANCE**

The ending fund balance presented in this cash flow accounts for the beginning fund balance, plus revenues, minus expenditures and transfers.

**KAYENTA UNIFIED SCHOOL DISTRICT OF NAVAJO COUNTY, ARIZONA**  
**FEDERAL IMPACT AID FUND**  
**SCHEDULE OF CASH FLOWS PROJECTION**  
**FISCAL YEARS 2026-2035**

| <b>Fiscal Year Ended</b>                                | <b>Reference</b> | <b>Comparative<br/>Historical<br/>Information<br/>2023 Actual</b> | <b>Comparative<br/>Historical<br/>Information<br/>2024 - Actual</b> | <b>Current Year<br/>Projected<br/>2025 - <i>ESTIM</i></b> | <b>Estimated<br/>2026</b> | <b>Estimated<br/>2027</b> |
|---------------------------------------------------------|------------------|-------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------|---------------------------|---------------------------|
| <b>Fund Balance, Beginning Of The Year</b>              | NOTE 1           | \$ 24,884,778                                                     | \$ 24,479,243                                                       | \$ 27,853,392                                             | \$ 27,946,330             | \$ 22,058,971             |
| <b>Revenues:</b>                                        |                  |                                                                   |                                                                     |                                                           |                           |                           |
| Local (interest on investments)                         | NOTE 2           | 364,756                                                           | 752,670                                                             | 557,068                                                   | 558,927                   | 441,179                   |
| Federal Impact Aid Revenues                             | NOTE 2           | 14,247,564                                                        | 17,772,080                                                          | 14,413,477                                                | 14,381,416                | 13,477,429                |
| <b>Transfer Out:</b>                                    |                  |                                                                   |                                                                     |                                                           |                           |                           |
| Debt Service Series 2025 Impact Aid Bonds*              | NOTE 3           |                                                                   |                                                                     |                                                           | 742,479                   | 761,850                   |
| Cash Transfers from Impact Aid to General Fund          | NOTE 3           | 2,347,225                                                         | 340,339                                                             | 667,188                                                   | 404,494                   | 404,494                   |
| <b>Net Revenue</b>                                      |                  | 12,265,095                                                        | 18,184,411                                                          | 14,303,357                                                | 13,793,370                | 12,752,265                |
| <b>Expenditures:</b>                                    |                  |                                                                   |                                                                     |                                                           |                           |                           |
| Impact Aid Operational Expenditures                     | NOTE 4           | 11,965,399                                                        | 13,720,572                                                          | 9,931,374                                                 | 15,885,523                | 16,362,089                |
| Impact Aid Capital Expenditures                         | NOTE 4           | 705,231                                                           | 1,089,689                                                           | 1,234,374                                                 | 1,391,744                 | 1,433,497                 |
| Impact Aid Operational Expenditures - <i>Encumbered</i> |                  |                                                                   |                                                                     | 2,891,464                                                 |                           |                           |
| Impact Aid Capital Expenditures - <i>Encumbered</i>     |                  |                                                                   |                                                                     | 153,208                                                   |                           |                           |
| Expenditure Reduction to Maintain Fund Balance Reserves |                  |                                                                   |                                                                     |                                                           |                           |                           |
| <b>Total Expenditures</b>                               |                  | 12,670,630                                                        | 14,810,262                                                          | 14,210,419                                                | 17,277,267                | 17,795,585                |
| <b>Potential Budget Reduction - AEL</b>                 |                  |                                                                   |                                                                     |                                                           |                           |                           |
| Amount of budget exceeding state limit                  | NOTE 5           |                                                                   |                                                                     |                                                           | 2,403,461                 | 2,403,461                 |
| <b>Total Potential Expense</b>                          |                  |                                                                   |                                                                     |                                                           | 2,403,461                 | 2,403,461                 |
| <b>Ending Fund Balance</b>                              | NOTE 6           | 24,479,243                                                        | 27,853,392                                                          | 27,946,330                                                | 22,058,971                | 14,612,190                |

\*Preliminary debt service subject to change with final bond offering

See Accompanying Summary of Significant Cash Flows Assumptions and Accounting Policies.

**KAYENTA UNIFIED SCHOOL DISTRICT OF NAVAJO COUNTY, ARIZONA**  
**FEDERAL IMPACT AID FUND**  
**SCHEDULE OF CASH FLOWS PROJECTION**  
**FISCAL YEARS 2026-2035**

| <b>Fiscal Year Ended</b>                                | <b>Reference</b> | <b>Estimated<br/>2028</b> | <b>Estimated<br/>2029</b> | <b>Estimated<br/>2030</b> | <b>Estimated<br/>2031</b> | <b>Estimated<br/>2032</b> |
|---------------------------------------------------------|------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Fund Balance, Beginning Of The Year</b>              | NOTE 1           | \$ 14,612,190             | \$ 9,827,805              | \$ 8,115,254              | \$ 6,559,425              | \$ 4,944,867              |
| <b>Revenues:</b>                                        |                  |                           |                           |                           |                           |                           |
| Local (interest on investments)                         | NOTE 2           | 292,244                   | 196,556                   | 162,305                   | 131,188                   | 98,897                    |
| Federal Impact Aid Revenues                             | NOTE 2           | 14,415,168                | 15,133,073                | 15,890,176                | 16,449,935                | 16,877,098                |
| <b>Transfer Out:</b>                                    |                  |                           |                           |                           |                           |                           |
| Debt Service Series 2025 Impact Aid Bonds*              | NOTE 3           | 757,850                   | 758,350                   | 758,100                   | 762,100                   | 758,400                   |
| Cash Transfers from Impact Aid to General Fund          | NOTE 3           | 404,494                   | 404,494                   | 404,494                   | 404,494                   | 404,494                   |
| <b>Net Revenue</b>                                      |                  | 13,545,068                | 14,166,785                | 14,889,887                | 15,414,530                | 15,813,102                |
| <b>Expenditures:</b>                                    |                  |                           |                           |                           |                           |                           |
| Impact Aid Operational Expenditures                     | NOTE 4           | 16,852,951                | 17,358,540                | 17,879,296                | 18,415,675                | 18,968,145                |
| Impact Aid Capital Expenditures                         | NOTE 4           | 1,476,501                 | 1,520,797                 | 1,566,420                 | 1,613,413                 | 1,661,815                 |
| Impact Aid Operational Expenditures - <i>Encumbered</i> |                  |                           |                           |                           |                           |                           |
| Impact Aid Capital Expenditures - <i>Encumbered</i>     |                  |                           |                           |                           |                           |                           |
| Expenditure Reduction to Maintain Fund Balance Reserves |                  |                           | (3,000,000)               | (3,000,000)               | (3,000,000)               | (4,500,000)               |
| <b>Total Expenditures</b>                               |                  | 18,329,453                | 15,879,336                | 16,445,716                | 17,029,088                | 16,129,960                |
| <b>Potential Budget Reduction - AEL</b>                 |                  |                           |                           |                           |                           |                           |
| Amount of budget exceeding state limit                  | NOTE 5           | 0                         | 0                         | 0                         | 0                         | 0                         |
| <b>Total Potential Expense</b>                          |                  | 0                         | 0                         | 0                         | 0                         | 0                         |
| <b>Ending Fund Balance</b>                              | NOTE 6           | 9,827,805                 | 8,115,254                 | 6,559,425                 | 4,944,867                 | 4,628,008                 |

\*Preliminary debt service subject to change with final bond offering

See Accompanying Summary of Significant Cash Flows Assumptions and Accounting Policies.

**KAYENTA UNIFIED SCHOOL DISTRICT OF NAVAJO COUNTY, ARIZONA**  
**FEDERAL IMPACT AID FUND**  
**SCHEDULE OF CASH FLOWS PROJECTION**  
**FISCAL YEARS 2026-2035**

| <b>Fiscal Year Ended</b>                                | <b>Reference</b> | <b>Estimated<br/>2033</b> | <b>Estimated<br/>2034</b> | <b>Estimated<br/>2035</b> |
|---------------------------------------------------------|------------------|---------------------------|---------------------------|---------------------------|
| <b>Fund Balance, Beginning Of The Year</b>              | NOTE 1           | \$ 4,628,008              | \$ 4,118,199              | \$ 3,399,673              |
| <b>Revenues:</b>                                        |                  |                           |                           |                           |
| Local (interest on investments)                         | NOTE 2           | 92,560                    | 82,364                    | 67,993                    |
| Federal Impact Aid Revenues                             | NOTE 2           | 17,309,859                | 17,748,179                | 18,192,812                |
| <b>Transfer Out:</b>                                    |                  |                           |                           |                           |
| Debt Service Series 2025 Impact Aid Bonds*              | NOTE 3           | 758,875                   | 758,250                   | 761,525                   |
| Cash Transfers from Impact Aid to General Fund          | NOTE 3           | 404,494                   | 404,494                   | 404,494                   |
| <b>Net Revenue</b>                                      |                  | 16,239,051                | 16,667,799                | 17,094,786                |
| <b>Expenditures:</b>                                    |                  |                           |                           |                           |
| Impact Aid Operational Expenditures                     | NOTE 4           | 19,537,189                | 20,123,305                | 20,727,004                |
| Impact Aid Capital Expenditures                         | NOTE 4           | 1,711,670                 | 1,763,020                 | 1,815,911                 |
| Impact Aid Operational Expenditures - <i>Encumbered</i> |                  |                           |                           |                           |
| Impact Aid Capital Expenditures - <i>Encumbered</i>     |                  |                           |                           |                           |
| Expenditure Reduction to Maintain Fund Balance Reserves |                  | (4,500,000)               | (4,500,000)               | (4,500,000)               |
| <b>Total Expenditures</b>                               |                  | 16,748,859                | 17,386,325                | 18,042,915                |
| <b>Potential Budget Reduction - AEL</b>                 |                  |                           |                           |                           |
| Amount of budget exceeding state limit                  | NOTE 5           | 0                         | 0                         | 0                         |
| <b>Total Potential Expense</b>                          |                  | 0                         | 0                         | 0                         |
| <b>Ending Fund Balance</b>                              | NOTE 6           | 4,118,199                 | 3,399,673                 | 2,451,544                 |

\*Preliminary debt service subject to change with final bond offering

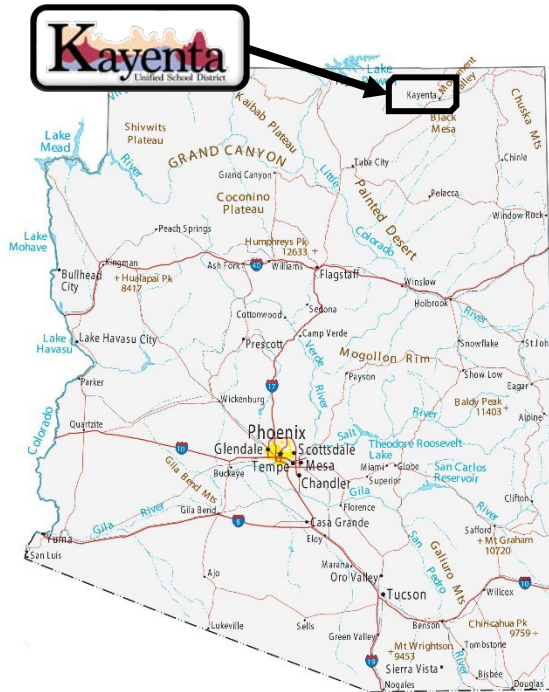
See Accompanying Summary of Significant Cash Flows Assumptions and Accounting Policies.

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## APPENDIX B

### THE DISTRICT – DISTRICT INFORMATION



#### General Information

Besides the Navajo Nation, the District is also located in the northern portion of Navajo County, Arizona (the “County”) and overlaps the unincorporated communities of Kayenta, Arizona (“Kayenta”) and Tsegi, Arizona (“Tsegi”), both located in the County. The District encompasses approximately 2,015 square miles. According to the U.S. Census Bureau, Small Area Income & Poverty Estimates (SAIPE) Program, the District serves a population of approximately 10,330.

#### Facilities

The District operates the following school facilities:

**TABLE 6**  
**SCHOOL FACILITIES**  
**Kayenta Unified School District No. 27**

| Facility                       | Grade Range |
|--------------------------------|-------------|
| ABC Preschool                  | Pre-K       |
| Debbie Braff Elementary School | K – 4       |
| Baker Middle School            | 5 – 8       |
| Monument Valley High School    | 9 – 12      |

*Pre-K = Pre-Kindergarten*

## State Enrollment

The following chart illustrates the current and historical average daily membership of the District's student population calculated by the State formula.

**TABLE 7**  
**AVERAGE DAILY MEMBERSHIP**  
**Kayenta Unified School District No. 27**

| <u>Fiscal<br/>Year</u> | <u>A.D.M. (a)</u> |
|------------------------|-------------------|
| 2024/25                | 1,459             |
| 2023/24                | 1,525             |
| 2022/23                | 1,554             |
| 2021/22                | 1,568             |
| 2020/21                | 1,551             |

---

(a) *A.D.M. means average daily membership and is computed for State funding purposes by taking the average number of students enrolled over the first 100 days of the school year. A.D.M. differs from the ADA described in TABLE 3 as it is calculated differently.*

Source: The Arizona Department of Education and the District.

## Administration and Governance

The District has 11 principals and administrators, 136 certified teachers and 183 classified support personnel. This provides the District with a student to teacher ratio of approximately 17:1 for preschool; 18:1 for grades K-6; 20:1 for grades 7-8 and 16:1 for the high school.

The District operates under the supervision of a five-member Governing Board. The present members of the Governing Board are:

Iverna Parrish-John, *President*  
Glenda Fuller, *Vice President*  
Chris Kescoli, *Member*  
Dr. James Nez, *Member*  
Patricia Parrish, *Member*

## Other Debt Obligations

### Kayenta Unified School District No. 27

The District currently has no other debt financing obligations or lease purchase agreements outstanding.

## DISTRICT EMPLOYEE RETIREMENT SYSTEM

### Retirement Plan

The District's employees are covered by the Arizona State Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit plan. The annual contribution rates are prescribed to be the rate actuarially determined by the System's actuary, with minimum employer and employee rate requirements of not less than 2.00%. For fiscal year 2025/26, the District's and its employees' contribution has been calculated by the actuary to be 12.00% (11.86% Retirement Pension and Health Insurance Benefit, 0.14% Long Term Disability Income Plan) of payroll amounts. For fiscal year 2024/25, the District's and its employees' contribution is 12.27% (12.12% Retirement Pension and Health Insurance Benefit, 0.15% Long Term Disability Income Plan) of payroll amounts. For fiscal year 2023/24, the District's and its employees' contribution was 12.29% (12.14% Retirement Pension and Health Insurance Benefit, 0.15% Long Term Disability Income Plan) of payroll amounts. See Note 4 in APPENDIX C – "THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024" for further discussion of the District's retirement plan.

The Governmental Accounting Standards Board ("GASB") adopted GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer's pension expense component include its proportionate share of the System's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share. Both the District and each covered employee contribute to the System. At June 30, 2024, the District reported a liability of \$24,163,752 for its proportionate share of the net pension liability under the System. The pension liability was measured as of June 30, 2023. See Note 12 in APPENDIX C – "THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024" for further discussion.

### Other Post-Employment Benefits

During the year ended June 30, 2018, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). The District is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 75 addresses reporting by governments that provide OPEB by measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB provided through defined benefit OPEB plan. Please refer to APPENDIX C of the Official Statement which includes the District's audited financial statements and specifically "Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

The District currently does not offer any OPEB. The District's employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses also may qualify for retiree health care benefits through the State. Such individuals may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium, net of any subsidy provided by the State. The benefits are available to all retired participants in the State's health care program. The District does not currently make payments for OPEB costs for such retirees.

## THE RESERVATION

The current lands of the Navajo Nation (the “Reservation”) include much of the northeastern part of Arizona, southeastern Utah and northwestern New Mexico, which covers much of Coconino, Navajo and Apache Counties in Arizona. The Reservation is larger than the state of West Virginia, totaling more than 27,000 square miles, with over 250,000 residents, making the Reservation the largest Indian tribe in the United States in terms of both land area and population.

The Reservation is divided geographically into 110 chapter districts, with tribal councils composed of representatives from each district. In addition to the tribal district councils, the Reservation’s government includes executive, legislative and judicial branches. The District is formed under Arizona law and is a separate entity from the Reservation and such tribal councils and districts.

Federal, state and tribal agencies are the largest employers in the Reservation.

## REVENUES AND EXPENDITURES

### General

The following information of the District was derived from the annual expenditure budget of the District for fiscal year 2024/25 and the audited financial statements of the District for fiscal years 2019/20 through and including 2023/24. (State law no longer requires school districts to file revenue budgets.) Budgeted figures for fiscal year 2024/25 are on a cash basis and are “forward looking” statements that may not be realized during the course of the fiscal year as presented herein and thus must be viewed with an abundance of caution. Audited figures for fiscal years 2019/20 through and including 2023/24 are on a modified accrual basis. The presentation which follows has not been independently subject to any audit procedures.

The following information should be read in conjunction with the audited financial statements of the District. **APPENDIX C for the District’s most recent audited financial statements for fiscal year ended June 30, 2024.** Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. **The District has not requested the consent of the Auditor to include its report and the Auditor has performed no procedures subsequent to rendering its report on the financial statements.**

**TABLE 8**

**General Fund**  
**Kayenta Unified School District No. 27**

|                                                  | Budgeted<br>2024/25 (a) | 2023/24       | 2022/23       | Audited<br>2021/22 | 2020/21       | 2019/20       |
|--------------------------------------------------|-------------------------|---------------|---------------|--------------------|---------------|---------------|
| FUND BALANCE AT BEGINNING OF YEAR                |                         | \$ 32,688,803 | \$ 30,161,828 | \$ 28,211,338      | \$ 27,998,370 | \$ 28,680,897 |
| REVENUES                                         |                         |               |               |                    |               |               |
| Property taxes                                   |                         | -             | \$ 2,407      | \$ -               | \$ -          | -             |
| State aid and grants                             |                         | 14,177,270    | 13,109,469    | 10,197,274         | 10,214,516    | 11,065,723    |
| Federal aid and grants                           |                         | 18,198,920    | 15,842,960    | 14,429,615         | 12,694,697    | 13,696,344    |
| Other local revenue                              |                         | 1,218,877     | 268,461       | 923,234            | 1,111,111     | 1,552,462     |
| TOTAL REVENUES                                   |                         | \$ 33,595,067 | \$ 29,223,297 | \$ 25,550,123      | \$ 24,020,324 | \$ 26,314,529 |
| ADJUSTMENTS                                      |                         |               |               |                    |               |               |
| Increase/(decrease) in reserve for inventory     |                         | \$ -          | \$ -          | \$ 12,620          | \$ 19,597     | \$ (21,865)   |
| Increase/(decrease) in reserve for prepaid items |                         | -             | -             | 319,238            | (329,148)     | (56,096)      |
| Transfers in                                     |                         | 210,729       | -             | 607,359            | 147,764       | 128,253       |
| Transfers out                                    |                         | -             | -             | -                  | (628,154)     | (472,104)     |
| Reclassification of funds                        |                         | -             | -             | 1,176,489          | (149,672)     | 158,448       |
| TOTAL FUNDS AVAILABLE FOR                        |                         |               |               |                    |               |               |
| EXPENDITURES                                     |                         | \$ 66,494,599 | \$ 59,385,125 | \$ 55,877,167      | \$ 51,079,081 | \$ 54,732,062 |
| EXPENDITURES                                     |                         |               |               |                    |               |               |
| Current                                          |                         |               |               |                    |               |               |
| Instruction                                      | \$ 8,825,762            | \$ 9,541,171  | \$ 10,938,082 | \$ 9,967,940       | \$ 9,192,067  | 9,837,182     |
| Support services - students and staff            | 524,769                 | 3,418,999     | 3,204,784     | 3,188,674          | 2,941,844     | 3,415,753     |
| Support services - administration                | 1,342,560               | 3,447,576     | 3,237,663     | 3,451,592          | 3,180,936     | 2,994,385     |
| Operation and maintenance of plant               | 4,414,366               | 6,638,719     | 5,361,296     | 5,100,271          | 4,644,847     | 5,215,468     |
| Student transportation                           | 834,196                 | 2,604,045     | 2,806,099     | 2,482,851          | 2,015,095     | 2,190,977     |
| Operation of non-instructional services          | 201,240                 | 134,676       | 158,375       | 142,533            | 125,223       | 202,134       |
| School-sponsored cocurric. activities            | 54,917                  | -             | -             | -                  | -             | -             |
| School-sponsored athletics                       | 67,366                  | -             | -             | -                  | -             | -             |
| K-3 Reading program                              | 67,461                  | -             | -             | -                  | -             | -             |
| Capital outlay                                   | -                       | 1,583,278     | 990,023       | 1,381,478          | 767,731       | 2,877,793     |
| TOTAL EXPENDITURES                               | \$ 16,332,637           | \$ 27,368,464 | \$ 26,696,322 | \$ 25,715,339      | \$ 22,867,743 | \$ 26,733,692 |
| FUND BALANCE AT END OF YEAR                      |                         | \$ 39,126,135 | \$ 32,688,803 | \$ 30,161,828      | \$ 28,211,338 | \$ 27,998,370 |

(a) Reflects the District's budgeted figures for fiscal year 2024/25 which are unaudited and subject to change upon audit. These amounts are "forward looking" statements and should be considered with an abundance of caution.

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## **APPENDIX C**

### **THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

The following audited financial statements are for the fiscal year ended June 30, 2024. These are the most recent audited financial statements available to the District. THESE FINANCIAL STATEMENTS ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE DISTRICT. See “REVENUES AND EXPENDITURES” in APPENDIX B.

Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. **The District has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.**

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## **Independent Auditor's Report**

Governing Board  
Kayenta Unified School District No. 27

### **Report on Audit of Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kayenta Unified School District No. 27 (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kayenta Unified School District No. 27, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Kayenta Unified School District No. 27 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

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

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2025, on our consideration of Kayenta Unified School District No. 27's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kayenta Unified School District No. 27's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kayenta Unified School District No. 27's internal control over financial reporting and compliance.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Flagstaff, Arizona  
May 15, 2025

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**Management's Discussion and Analysis (MD&A)**  
**(Required Supplementary Information)**

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**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

As management of the Kayenta Unified School District No. 27 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Financial Highlights**

- The District's total net position of governmental activities increased \$4.0 million which represents an five percent increase from the prior fiscal year as a result of an increase in state and federal aid.
- General revenues accounted for \$34.5 million in revenue, or 75 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$11.5 million or 25 percent of total current fiscal year revenues.
- The District had approximately \$42.0 million in expenses related to governmental activities, a decrease of less than one percent from the prior fiscal year.
- Among major funds, the General Fund had \$33.6 million current fiscal year revenues, which primarily consisted of state aid and federal aid, and \$27.4 million in expenditures. The General Fund's fund balance increase from \$32.7 million at the prior fiscal year end to \$39.1 million at the end of the current fiscal year was primarily due to increased state and federal aid.

**Overview of Financial Statements**

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

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

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

**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Overview of Financial Statements**

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

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

**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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are reported as governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District'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 District'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.

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 and Federal and State Grants Funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.



**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Overview of Financial Statements**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process and pension plan. The District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and the major Special Revenue Fund as required supplementary information. Schedules for the pension plan have been provided as required supplementary information.

**Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$88.6 million at the current fiscal year end.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. The District had no related debt. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors.

**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Government-Wide Financial Analysis**

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2024 and June 30, 2023.

|                                  | As of<br>June 30, 2024 | As of<br>June 30, 2023 |
|----------------------------------|------------------------|------------------------|
| Current assets                   | \$ 48,652,826          | \$ 40,131,263          |
| Capital assets, net              | 65,359,998             | 68,654,134             |
| Total assets                     | <u>114,012,824</u>     | <u>108,785,397</u>     |
| Deferred outflows                | <u>3,453,796</u>       | <u>3,982,437</u>       |
| Current liabilities              | 1,587,785              | 1,374,733              |
| Long-term liabilities            | 25,300,277             | 24,631,226             |
| Total liabilities                | <u>26,888,062</u>      | <u>26,005,959</u>      |
| Deferred inflows                 | <u>1,971,798</u>       | <u>2,201,639</u>       |
| Net position:                    |                        |                        |
| Net investment in capital assets | 65,359,998             | 68,654,134             |
| Restricted                       | 7,796,946              | 5,633,081              |
| Unrestricted                     | 15,449,816             | 10,273,021             |
| Total net position               | <u>\$ 88,606,760</u>   | <u>\$ 84,560,236</u>   |

At the end of the current fiscal year the District reported positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

The District's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Position.

- The addition of \$2.6 million in capital assets through the construction of new classrooms, and other school improvements and purchases of vehicles, furniture and equipment.
- The increase of \$672,812 in pension liabilities due to changes in estimates and payments.

**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Government-Wide Financial Analysis**

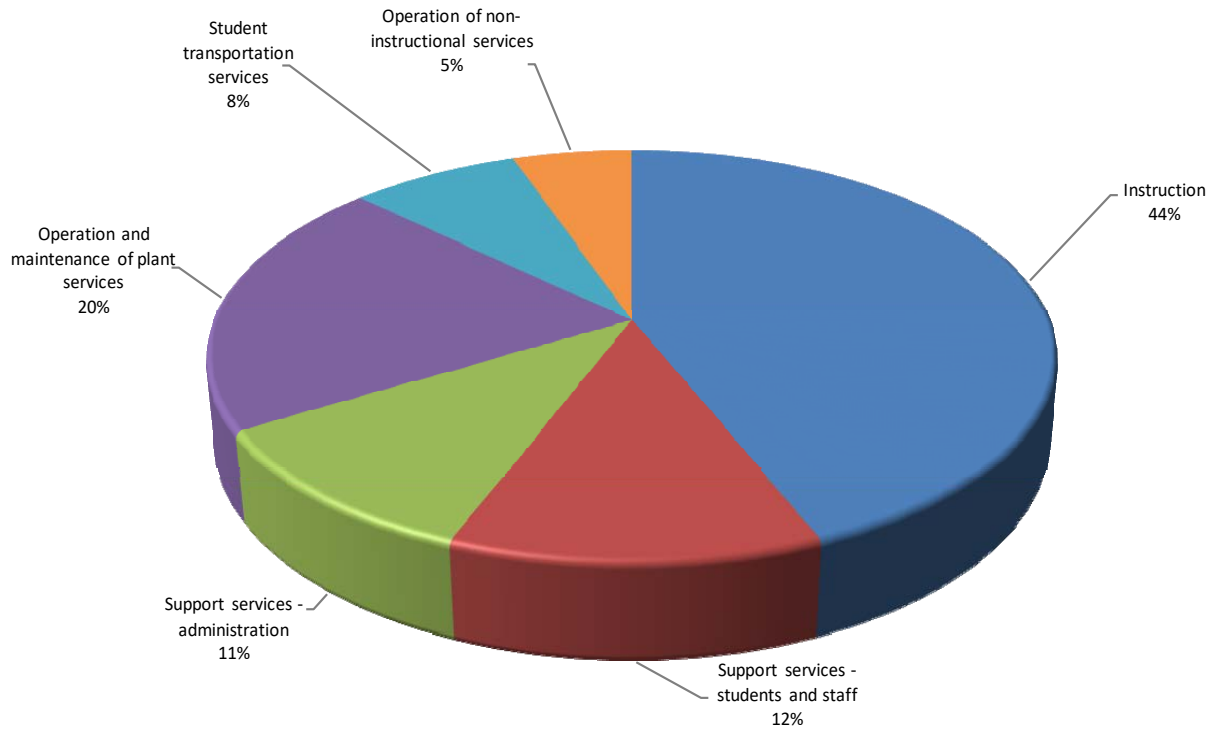
**Changes in net position.** The District's total revenues for the current fiscal year were \$46.0 million. The total cost of all programs and services was \$42.0 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2024 and June 30, 2023.

|                                             | Fiscal Year<br>Ended<br>June 30, 2024 | Fiscal Year<br>Ended<br>June 30, 2023 |
|---------------------------------------------|---------------------------------------|---------------------------------------|
| <b>Revenues:</b>                            |                                       |                                       |
| Program revenues:                           |                                       |                                       |
| Charges for services                        | \$ 2,154,385                          | \$ 2,570,608                          |
| Operating grants and contributions          | 7,882,495                             | 9,419,047                             |
| Capital grants and contributions            | 1,454,056                             | 1,602,779                             |
| General revenues:                           |                                       |                                       |
| Property taxes                              |                                       | 13,536                                |
| Investment income                           | 1,122,072                             | 114,813                               |
| Unrestricted state aid                      | 15,782,640                            | 14,651,703                            |
| Unrestricted federal aid                    | 17,625,716                            | 14,612,341                            |
| <b>Total revenues</b>                       | <u>46,021,364</u>                     | <u>42,984,827</u>                     |
| <b>Expenses:</b>                            |                                       |                                       |
| Instruction                                 | 18,378,210                            | 20,208,380                            |
| Support services - students and staff       | 5,094,711                             | 5,500,656                             |
| Support services - administration           | 4,426,100                             | 3,921,915                             |
| Operation and maintenance of plant services | 8,605,081                             | 6,680,601                             |
| Student transportation services             | 3,214,785                             | 3,583,701                             |
| Operation of non-instructional services     | 2,255,953                             | 2,103,076                             |
| <b>Total expenses</b>                       | <u>41,974,840</u>                     | <u>41,998,329</u>                     |
| <b>Changes in net position</b>              | 4,046,524                             | 986,498                               |
| <b>Net position, beginning</b>              | 84,560,236                            | 83,573,738                            |
| <b>Net position, ending</b>                 | <u>\$ 88,606,760</u>                  | <u>\$ 84,560,236</u>                  |

**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Government-Wide Financial Analysis**

**Expenses - Fiscal Year 2024**



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

- The increase of \$3.0 million in unrestricted federal aid, primarily due to reimbursements for services and equipment.
- The decrease of \$1.8 million in instruction expenses due to the ending of certain federal grants, as well as the assistance those grants funded.
- The increase of \$1.9 million in operation and maintenance of plant services expenses due to repairs and maintenance across school sites.

**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Government-Wide Financial Analysis**

The following table presents the cost of the District's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

|                                                | Year Ended June 30, 2024 |                           | Year Ended June 30, 2023 |                           |
|------------------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                                                | Total<br>Expenses        | Net (Expense)/<br>Revenue | Total<br>Expenses        | Net (Expense)/<br>Revenue |
| Instruction                                    | \$ 18,378,210            | \$ (11,835,708)           | \$ 20,208,380            | \$ (12,774,271)           |
| Support services - students and staff          | 5,094,711                | (4,372,809)               | 5,500,656                | (3,322,236)               |
| Support services - administration              | 4,426,100                | (4,200,192)               | 3,921,915                | (2,864,738)               |
| Operation and maintenance of<br>plant services | 8,605,081                | (6,448,149)               | 6,680,601                | (5,215,591)               |
| Student transportation services                | 3,214,785                | (3,198,415)               | 3,583,701                | (3,548,043)               |
| Operation of non-instructional<br>services     | 2,255,953                | (428,631)                 | 2,103,076                | (681,016)                 |
| Total                                          | <u>\$ 41,974,840</u>     | <u>\$ (30,483,904)</u>    | <u>\$ 41,998,329</u>     | <u>\$ (28,405,895)</u>    |

- The cost of all governmental activities this year was \$42.0 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$11.5 million.
- Net cost of governmental activities of \$30.5 million was financed by general revenues, which are made up of state aid of \$15.8 million and federal aid of \$17.6 million. Investment earnings accounted for \$1.1 million of funding.

**Financial Analysis of the District's Funds**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$43.2 million, an increase of \$7.8 million due primarily to an increase in state and federal aid.

**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Financial Analysis of the District's Funds**

The General Fund comprises 91 percent of the total fund balance. Approximately \$38.3 million, or 98 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the District. The increase in fund balance of \$32.7 million to \$39.1 million as of fiscal year end was primarily a result of grant funding from federal sources. General Fund revenues increased \$4.4 million primarily as a result of federal aid. General Fund expenditures increased \$672,142 primarily as a result of fixed asset purchases.

The Federal and State Grants Fund balance increased \$29,133, which is insignificant.

**Budgetary Highlights**

Over the course of the year, the District revised the General Fund annual expenditure budget to capture the balance of the carry forward from the prior year. The difference between the original budget and the final amended budget was a \$144,932 increase, or one percent due to an increase in average daily membership.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$2.3 million in instruction expenditures was a result of various unfilled positions.
- The favorable variance of \$328,399 in operation and maintenance of plant services expenditures was a result of operation and maintenance of plant expenditures being paid from federal grants such as ESSER.

**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Capital Assets and Debt Administration**

**Capital Assets.** At year end, the District had invested \$180.5 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$2.3 million from the prior fiscal year, primarily due to construction and the purchase of new vehicles. Total depreciation expense for the current fiscal year was \$5.8 million.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2024 and June 30, 2023.

|                                   | As of<br>June 30, 2024 | As of<br>June 30, 2023 |
|-----------------------------------|------------------------|------------------------|
| Capital assets - non-depreciable  | \$ 75,318              | \$ 995,922             |
| Capital assets - depreciable, net | 65,284,680             | 67,658,212             |
| Total                             | <u>\$ 65,359,998</u>   | <u>\$ 68,654,134</u>   |

The estimated cost to complete current construction projects is \$15,282.

Additional information on the District's capital assets can be found in Note 7.

**Debt Administration.** At fiscal year end, the District had no long-term debt outstanding.

**Economic Factors and Next Year's Budget and Rates**

Many factors were considered by the District's administration during the process of developing the fiscal year 2024-25 budget. Among them:

- Fiscal year 2023-24 budget balance carry forward (estimated \$1.4 million).
- District student population (estimated 1,562).

Also considered in the development of the budget is the local economy and inflation of the surrounding area.

Budgeted expenditures in the General Fund increased 11 percent to \$16.7 million in fiscal year 2024-25. An anticipated increase in average daily membership is the primary reason for this increase. State aid is expected to be the primary funding sources. No new programs were added to the 2023-24 budget.

**Kayenta Unified School District No. 27**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2024**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Kayenta Unified School District No. 27, P. O. Box 337, Kayenta, Arizona 86033-0337.



## **Basic Financial Statements**

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## **Government-Wide Financial Statements**

**Kayenta Unified School District No. 27**  
**Statement of Net Position**  
**June 30, 2024**

|                                              | <b>Governmental<br/>Activities</b> |
|----------------------------------------------|------------------------------------|
| <b>Assets</b>                                |                                    |
| Current assets:                              |                                    |
| Cash and investments                         | \$ 42,899,504                      |
| Accounts receivable                          | 31,711                             |
| Deposits                                     | 30,321                             |
| Due from governmental entities               | 3,862,143                          |
| Prepaid items                                | 712,379                            |
| Inventory                                    | 175,195                            |
| Leases receivable                            | 142,211                            |
| Total current assets                         | <u>47,853,464</u>                  |
| Noncurrent assets:                           |                                    |
| Net other postemployment benefit plan assets | 799,362                            |
| Capital assets not being depreciated         | 75,318                             |
| Capital assets, net accumulated depreciation | 65,284,680                         |
| Total noncurrent assets                      | <u>66,159,360</u>                  |
| <b>Total assets</b>                          | <u><b>114,012,824</b></u>          |
| <b>Deferred outflows of resources</b>        |                                    |
| Pension plan items                           | 3,387,342                          |
| Other postemployment benefit plan items      | 66,454                             |
| <b>Total deferred outflows of resources</b>  | <u><b>3,453,796</b></u>            |
| <b>Liabilities</b>                           |                                    |
| Current liabilities:                         |                                    |
| Accounts payable                             | 522,618                            |
| Accrued payroll and employee benefits        | 468,353                            |
| Unearned revenues                            | 596,814                            |
| Compensated absences payable                 | 24,000                             |
| Total current liabilities                    | <u>1,611,785</u>                   |
| Noncurrent liabilities:                      |                                    |
| Non-current portion of long-term obligations | 25,276,277                         |
| Total noncurrent liabilities                 | <u>25,276,277</u>                  |
| <b>Total liabilities</b>                     | <u><b>26,888,062</b></u>           |
| <b>Deferred inflows of resources</b>         |                                    |
| Pension plan items                           | 1,468,158                          |
| Other postemployment benefit plan items      | 361,680                            |
| Leases                                       | 141,960                            |
| <b>Total deferred inflows of resources</b>   | <u><b>1,971,798</b></u>            |
| <b>Net position</b>                          |                                    |
| Net investment in capital assets             | 65,359,998                         |
| Restricted for:                              |                                    |
| Instruction                                  | 2,909,360                          |
| Food service                                 | 733,298                            |
| Non-instructional purposes                   | 1,973,556                          |
| Capital outlay                               | 1,381,370                          |
| Other postemployment benefit plan assets     | 799,362                            |
| Unrestricted                                 | 15,449,816                         |
| <b>Total net position</b>                    | <u><b>\$ 88,606,760</b></u>        |

**Kayenta Unified School District No. 27**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

| Functions/Programs                          | Expenses             | Program Revenue     |                     |                     | Net (Expense)        |
|---------------------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
|                                             |                      | Operating Grants    |                     | Capital Grants      | Revenue and          |
|                                             |                      | Charges for         | and                 | and                 | Changes in Net       |
|                                             |                      | Services            | Contributions       | Contributions       | Position             |
| <b>Governmental activities</b>              |                      |                     |                     |                     | <b>Governmental</b>  |
| Instruction                                 | \$ 18,378,210        | \$ 533,379          | \$ 4,893,409        | \$ 1,115,714        | \$ (11,835,708)      |
| Support services - students and staff       | 5,094,711            | 196,281             | 525,621             |                     | (4,372,809)          |
| Support services - administration           | 4,426,100            |                     | 225,908             |                     | (4,200,192)          |
| Operation and maintenance of plant services | 8,605,081            | 1,364,980           | 453,610             | 338,342             | (6,448,149)          |
| Student transportation services             | 3,214,785            |                     | 16,370              |                     | (3,198,415)          |
| Operation of non-instructional services     | 2,255,953            | 59,745              | 1,767,577           |                     | (428,631)            |
| <b>Total governmental activities</b>        | <u>\$ 41,974,840</u> | <u>\$ 2,154,385</u> | <u>\$ 7,882,495</u> | <u>\$ 1,454,056</u> | <u>(30,483,904)</u>  |
| <b>General revenues</b>                     |                      |                     |                     |                     |                      |
| Property taxes                              |                      |                     |                     |                     |                      |
| Investment income                           |                      |                     |                     |                     | 1,122,072            |
| Unrestricted state aid                      |                      |                     |                     |                     | 15,782,640           |
| Unrestricted federal aid                    |                      |                     |                     |                     | 17,625,716           |
| <b>Total general revenues</b>               |                      |                     |                     |                     | <u>34,530,428</u>    |
| <b>Changes in net position</b>              |                      |                     |                     |                     | 4,046,524            |
| <b>Net position, beginning of year</b>      |                      |                     |                     |                     | <u>84,560,236</u>    |
| <b>Net position, end of year</b>            |                      |                     |                     |                     | <u>\$ 88,606,760</u> |

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## **Fund Financial Statements**

**Kayenta Unified School District No. 27**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**

|                                                                               | <b>General</b>       | <b>Federal and State<br/>Grants</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-------------------------------------------------------------------------------|----------------------|-------------------------------------|---------------------------------------------|-----------------------------------------|
| <b>Assets</b>                                                                 |                      |                                     |                                             |                                         |
| Cash and investments                                                          | \$ 36,058,481        | \$                                  | \$ 6,841,023                                | \$ 42,899,504                           |
| Accounts receivable                                                           |                      |                                     | 31,711                                      | 31,711                                  |
| Deposits                                                                      |                      |                                     | 30,321                                      | 30,321                                  |
| Due from governmental entities                                                |                      | 3,735,961                           | 126,182                                     | 3,862,143                               |
| Due from other funds                                                          | 2,900,835            |                                     |                                             | 2,900,835                               |
| Prepaid items                                                                 | 712,379              |                                     |                                             | 712,379                                 |
| Inventory                                                                     | 158,870              |                                     | 16,325                                      | 175,195                                 |
| Leases receivable                                                             |                      |                                     | 142,211                                     | 142,211                                 |
| <b>Total assets</b>                                                           | <u>\$ 39,830,565</u> | <u>\$ 3,735,961</u>                 | <u>\$ 7,187,773</u>                         | <u>\$ 50,754,299</u>                    |
| <b>Liabilities</b>                                                            |                      |                                     |                                             |                                         |
| Accounts payable                                                              | \$ 424,704           | \$ 71,540                           | \$ 26,374                                   | \$ 522,618                              |
| Due to other funds                                                            |                      | 2,900,835                           |                                             | 2,900,835                               |
| Accrued payroll and employee benefits                                         | 279,726              | 160,233                             | 28,394                                      | 468,353                                 |
| Unearned revenues                                                             |                      | 596,814                             |                                             | 596,814                                 |
| <b>Total liabilities</b>                                                      | <u>704,430</u>       | <u>3,729,422</u>                    | <u>54,768</u>                               | <u>4,488,620</u>                        |
| <b>Deferred inflows of resources</b>                                          |                      |                                     |                                             |                                         |
| Unavailable revenues - intergovernmental                                      |                      | 2,892,152                           |                                             | 2,892,152                               |
| Leases                                                                        |                      |                                     | 141,960                                     | 141,960                                 |
| <b>Total deferred inflows of resources</b>                                    |                      | <u>2,892,152</u>                    | <u>141,960</u>                              | <u>3,034,112</u>                        |
| <b>Fund balances</b>                                                          |                      |                                     |                                             |                                         |
| Nonspendable                                                                  | 871,249              |                                     | 16,325                                      | 887,574                                 |
| Restricted                                                                    |                      |                                     | 6,974,720                                   | 6,974,720                               |
| Unassigned                                                                    | 38,254,886           | (2,885,613)                         |                                             | 35,369,273                              |
| <b>Total fund balances</b>                                                    | <u>39,126,135</u>    | <u>(2,885,613)</u>                  | <u>6,991,045</u>                            | <u>43,231,567</u>                       |
| <b>Total liabilities, deferred inflows of resources<br/>and fund balances</b> | <u>\$ 39,830,565</u> | <u>\$ 3,735,961</u>                 | <u>\$ 7,187,773</u>                         | <u>\$ 50,754,299</u>                    |



**Kayenta Unified School District No. 27**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2024**

**Total fund balances - governmental funds** **\$ 43,231,567**

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

|                                            |                      |            |
|--------------------------------------------|----------------------|------------|
| Governmental capital assets                | \$ 180,530,453       |            |
| Less accumulated depreciation/amortization | <u>(115,170,455)</u> |            |
|                                            |                      | 65,359,998 |

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.

|                   |                  |           |
|-------------------|------------------|-----------|
| Intergovernmental | <u>2,892,152</u> |           |
|                   |                  | 2,892,152 |

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

|                                                             |                    |           |
|-------------------------------------------------------------|--------------------|-----------|
| Deferred outflows of resources related to pensions and OPEB | 3,453,796          |           |
| Deferred inflows of resources related to pensions and OPEB  | <u>(1,829,838)</u> |           |
|                                                             |                    | 1,623,958 |

The net OPEB assets are not a current financial resource and, therefore, are not reported in the funds.

799,362

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

|                              |                     |                     |
|------------------------------|---------------------|---------------------|
| Compensated absences payable | (1,136,525)         |                     |
| Net pension liability        | <u>(24,163,752)</u> |                     |
|                              |                     | <u>(25,300,277)</u> |

**Net position of governmental activities** **\$ 88,606,760**

**Kayenta Unified School District No. 27**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2024**

|                                                          |                      | Federal and State     | Non-Major           | Total                |
|----------------------------------------------------------|----------------------|-----------------------|---------------------|----------------------|
|                                                          | General              | Grants                | Governmental        | Governmental         |
|                                                          |                      |                       | Funds               | Funds                |
| <b>Revenues</b>                                          |                      |                       |                     |                      |
| Other local                                              | \$ 1,218,877         | \$ 12,097             | \$ 2,160,257        | \$ 3,391,231         |
| State aid and grants                                     | 14,177,270           | 269,306               | 1,943,712           | 16,390,288           |
| Federal aid, grants and reimbursements                   | <u>18,198,920</u>    | <u>6,622,603</u>      | <u>1,707,507</u>    | <u>26,529,030</u>    |
| <b>Total revenues</b>                                    | <u>33,595,067</u>    | <u>6,904,006</u>      | <u>5,811,476</u>    | <u>46,310,549</u>    |
| <b>Expenditures</b>                                      |                      |                       |                     |                      |
| Current:                                                 |                      |                       |                     |                      |
| Instruction                                              | 9,541,171            | 2,725,540             | 1,612,650           | 13,879,361           |
| Support services - students and staff                    | 3,418,999            | 1,425,963             | 145,281             | 4,990,243            |
| Support services - administration                        | 3,447,576            | 723,690               | 5,377               | 4,176,643            |
| Operation and maintenance of plant services              | 6,638,719            | 524,406               | 1,043,920           | 8,207,045            |
| Student transportation services                          | 2,604,045            | 50,676                | 413                 | 2,655,134            |
| Operation of non-instructional services                  | 134,676              | 132,888               | 1,601,433           | 1,868,997            |
| Capital outlay                                           | <u>1,583,278</u>     | <u>1,080,981</u>      | <u>34,733</u>       | <u>2,698,992</u>     |
| <b>Total expenditures</b>                                | <u>27,368,464</u>    | <u>6,664,144</u>      | <u>4,443,807</u>    | <u>38,476,415</u>    |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>6,226,603</u>     | <u>239,862</u>        | <u>1,367,669</u>    | <u>7,834,134</u>     |
| <b>Other financing sources (uses)</b>                    |                      |                       |                     |                      |
| Transfers in                                             | 210,729              |                       |                     | 210,729              |
| Transfers out                                            |                      | (210,729)             |                     | (210,729)            |
| Proceeds from sale of capital assets                     |                      |                       | 48                  | 48                   |
| <b>Total other financing sources (uses)</b>              | <u>210,729</u>       | <u>(210,729)</u>      | <u>48</u>           | <u>48</u>            |
| <b>Changes in fund balances</b>                          | <u>6,437,332</u>     | <u>29,133</u>         | <u>1,367,717</u>    | <u>7,834,182</u>     |
| <b>Fund balances, beginning of year</b>                  | <u>32,688,803</u>    | <u>(2,914,746)</u>    | <u>5,623,328</u>    | <u>35,397,385</u>    |
| <b>Fund balances, end of year</b>                        | <u>\$ 39,126,135</u> | <u>\$ (2,885,613)</u> | <u>\$ 6,991,045</u> | <u>\$ 43,231,567</u> |

**Kayenta Unified School District No. 27**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2024**

**Changes in fund balances - total governmental funds** **\$ 7,834,182**

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

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation/amortization expense.

|                                             |                    |             |
|---------------------------------------------|--------------------|-------------|
| Expenditures for capitalized assets         | \$ 2,596,097       |             |
| Less current year depreciation/amortization | <u>(5,779,711)</u> |             |
|                                             |                    | (3,183,614) |

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

|                   |                  |           |
|-------------------|------------------|-----------|
| Intergovernmental | <u>(178,711)</u> |           |
|                   |                  | (178,711) |

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.

|                                             |                    |           |
|---------------------------------------------|--------------------|-----------|
| Current year pension and OPEB contributions | 2,313,404          |           |
| Pension and OPEB expense                    | <u>(2,631,976)</u> |           |
|                                             |                    | (318,572) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

|                            |              |                  |
|----------------------------|--------------|------------------|
| Loss on disposal of assets | (110,522)    |                  |
| Compensated absences       | <u>3,761</u> |                  |
|                            |              | <u>(106,761)</u> |

**Changes in net position in governmental activities** **\$ 4,046,524**

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Kayenta Unified School District No. 27 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

**A. Reporting Entity**

The Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures/expenses.

The membership of the Governing Board consists of five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools.

The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, student transportation, construction and maintenance of District facilities, food services, bookstore, and athletic functions.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities or fiduciary activities.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

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. The District does not allocate indirect expenses to programs or functions. 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, unrestricted state and federal aid, and other items not included among program revenues are reported instead as general revenues.

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

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

**Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. As permitted by generally accepted accounting principles the District applies the “early recognition” option for debt service payments. Property tax resources are provided in the Debt Service Fund during the current year for the payment of debt service principal and interest due early in the following year (less than one month). Therefore, the expenditures and related liabilities have been recognized in the current period. Capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

Property taxes, federal, state aid, tuition and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The District reports the following 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. The General Fund includes the District’s Maintenance and Operation Fund and the Unrestricted Capital Outlay Fund, as well as certain activities budgeted in separate funds in accordance with A.R.S. These funds are maintained as separate funds for budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

Federal and State Grants Fund – The Federal and State Grants Fund accounts for financial assistance received for federal and state grants and projects.

**D. Cash and Investments**

A.R.S. require the District to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash of the Debt Service and Bond Building Funds that may be invested separately. Interest earned from investments purchased with pooled monies is allocated to each of the District’s funds based on their average balances. As required by statute, interest earnings of the Bond Building Fund are recorded initially in that fund, but then transferred to the Debt Service Fund. All investments are stated at fair value.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

Statute authorizes the District to separately invest monies of the Bond Building and Debt Service Funds in the State Treasurer's investment pools; obligations issued and guaranteed by the United States or any of its agencies or instrumentalities; specified state and local government bonds and notes; and interest bearing savings accounts or certificates of deposit.

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

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

**E. Investment Income**

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

**F. Receivables and Payables**

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

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**G. Property Tax Calendar**

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

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

**H. Inventory**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**J. Capital Assets**

Capital assets, which include land and improvements; buildings and improvements; vehicles, furniture, and equipment; and construction in progress are reported in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.



**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. The estimated useful lives and amortization periods are as follows:

|                                   |               |
|-----------------------------------|---------------|
| Land improvements                 | 15 – 30 years |
| Buildings and improvements        | 20 – 50 years |
| Vehicles, furniture and equipment | 5 – 15 years  |

**K. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**L. Compensated Absences**

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

**M. Leases**

As lessor, the District recognizes lease receivables with an initial, individual value of \$19,420 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses an interest rate based on the Applicable Federal Rate as the discount rate to measure lease receivables.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**N. Pensions and Other Postemployment Benefits**

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

**O. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**P. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

**Q. Net Position Flow Assumption**

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

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 1 – Summary of Significant Accounting Policies**

**R. Estimates**

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

**Note 2 – Fund Balance Classifications**

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

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

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

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

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

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 2 – Fund Balance Classifications**

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

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

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

|                            | General              | Federal and<br>State Grants | Non-Major<br>Governmental<br>Funds |
|----------------------------|----------------------|-----------------------------|------------------------------------|
| Fund Balances:             |                      |                             |                                    |
| Nonspendable:              |                      |                             |                                    |
| Inventory                  | \$ 158,870           | \$                          | \$ 16,325                          |
| Prepaid items              | 712,379              |                             |                                    |
| Restricted:                |                      |                             |                                    |
| Capital projects           |                      |                             | 1,381,370                          |
| Voter approved initiatives |                      |                             | 2,461,699                          |
| Food service               |                      |                             | 716,973                            |
| Civic center               |                      |                             | 974,330                            |
| Community schools          |                      |                             | 714                                |
| Extracurricular activities |                      |                             | 48,447                             |
| Insurance proceeds         |                      |                             | 560,906                            |
| Litigation recovery        |                      |                             | 139,291                            |
| Teacherage                 |                      |                             | 167,108                            |
| Career technical education |                      |                             | 161,677                            |
| Student activities         |                      |                             | 166,212                            |
| Other purposes             |                      |                             | 195,993                            |
| Unassigned                 | 38,254,886           | (2,885,613)                 |                                    |
| Total fund balances        | <u>\$ 39,126,135</u> | <u>\$ (2,885,613)</u>       | <u>\$ 6,991,045</u>                |

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 3 – Stewardship, Compliance and Accountability**

**Individual Deficit Fund Balance** – At year end, the Federal and State Grants Fund, a major governmental fund, reported a deficit in fund balance of \$2,885,613. The deficit arose because of pending grant reimbursements. Additional revenues received in fiscal year 2024-25 are expected to eliminate the deficit.

**Excess Expenditures Over Budget** – At year end, the District had expenditures in funds that exceeded the budgets, however, this does not constitute a violation of any legal provisions.

**Note 4 – Cash and Investments**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District's deposits was \$2,045,184 and the bank balance was \$2,097,851. At year end, \$1,000,000 of the District's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and \$1,097,851 were covered by collateral held by the pledging financial institution's trust department or agent but not in the District's name.

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

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

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

At year end, the District's investments consisted of the following:

|                                    | <u>Average Maturities</u> | <u>Fair Value</u> |
|------------------------------------|---------------------------|-------------------|
| County Treasurer's investment pool | 0.84 years                | \$ 40,854,320     |

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 4 – Cash and Investments**

*Interest Rate Risk.* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* The District has no investment policy that would further limit its investment choices. As of year end, the District's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

*Custodial Credit Risk - Investments.* The District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk.

**Note 5 – Receivables**

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the District's individual major funds and non-major governmental funds, in the aggregate were as follows:

|                                       | Federal and<br>State Grants | Non-Major<br>Governmental<br>Funds |
|---------------------------------------|-----------------------------|------------------------------------|
| Due from other governmental entities: |                             |                                    |
| Due from federal government           | \$ 3,735,961                | \$ 71,221                          |
| Due from state government             |                             | 54,961                             |
| Net due from governmental entities    | <u>\$ 3,735,961</u>         | <u>\$ 126,182</u>                  |

**Note 6 – Leases Receivable**

The District entered into agreements under the provisions of contracts classified as leases to provide space for Head Start and a healthcare agency. The related receivables under the lease agreements have been recorded at the present value of their future minimum lease payments as of the inception date. Lease revenue of \$146,322 is recorded as other local revenue in the Other Special Revenue Fund.

At June 30, 2024, the future minimum lease payment to be received under the lease agreement, due in fiscal year 2025, was \$144,060.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 7 – Capital Assets**

A summary of capital asset activity for the current fiscal year follows:

| Governmental Activities                      | Beginning<br>Balance | Increase              | Decrease            | Ending<br>Balance    |
|----------------------------------------------|----------------------|-----------------------|---------------------|----------------------|
| Capital assets, not being depreciated:       |                      |                       |                     |                      |
| Construction in progress                     | \$ 995,922           | \$ 30,132             | \$ 950,736          | \$ 75,318            |
| Total capital assets, not being depreciated  | <u>995,922</u>       | <u>30,132</u>         | <u>950,736</u>      | <u>75,318</u>        |
| Capital assets, being depreciated:           |                      |                       |                     |                      |
| Land improvements                            | 34,943,659           | 582,981               |                     | 35,526,640           |
| Buildings and improvements                   | 125,813,717          | 1,013,122             |                     | 126,826,839          |
| Vehicles, furniture and equipment            | 16,503,400           | 1,920,598             | 322,342             | 18,101,656           |
| Total capital assets being depreciated       | <u>177,260,776</u>   | <u>3,516,701</u>      | <u>322,342</u>      | <u>180,455,135</u>   |
| Less accumulated depreciation for:           |                      |                       |                     |                      |
| Land improvements                            | (22,619,172)         | (1,267,833)           |                     | (23,887,005)         |
| Buildings and improvements                   | (76,362,130)         | (3,582,676)           |                     | (79,944,806)         |
| Vehicles, furniture and equipment            | (10,621,262)         | (929,202)             | (211,820)           | (11,338,644)         |
| Total accumulated depreciation               | <u>(109,602,564)</u> | <u>(5,779,711)</u>    | <u>(211,820)</u>    | <u>(115,170,455)</u> |
| Total capital assets, being depreciated, net | <u>67,658,212</u>    | <u>(2,263,010)</u>    | <u>110,522</u>      | <u>65,284,680</u>    |
| Governmental activities capital assets, net  | <u>\$ 68,654,134</u> | <u>\$ (2,232,878)</u> | <u>\$ 1,061,258</u> | <u>\$ 65,359,998</u> |

Depreciation expense was charged to governmental functions as follows:

|                                                      |                     |
|------------------------------------------------------|---------------------|
| Instruction                                          | \$ 4,304,326        |
| Support services – students and staff                | 61,414              |
| Support services – administration                    | 182,977             |
| Operation and maintenance of plant services          | 340,348             |
| Student transportation services                      | 525,861             |
| Operation of non-instructional services              | 364,785             |
| Total depreciation expense – governmental activities | <u>\$ 5,779,711</u> |

**Construction Commitments** – At year end, the District had contractual commitments related to various capital projects for the renovation of equipment and school buildings. At year end the District had spent \$75,318 on the projects and had estimated remaining contractual commitments of \$15,282. These projects are being funded with Elementary and Secondary School Emergency Relief (ESSER) and Impact Aid Funds.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 8 – Changes in Long-Term Liabilities**

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

|                                 | Beginning<br>Balance | Additions           | Reductions        | Ending<br>Balance    | Due Within<br>One Year |
|---------------------------------|----------------------|---------------------|-------------------|----------------------|------------------------|
| <b>Governmental activities:</b> |                      |                     |                   |                      |                        |
| Net pension liability           | \$ 23,490,940        | \$ 672,812          | \$                | \$ 24,163,752        |                        |
| Compensated absences payable    | 1,140,286            | 453,650             | 457,411           | 1,136,525            | 24,000                 |
| Total long-term liabilities     | <u>\$ 24,631,226</u> | <u>\$ 1,126,462</u> | <u>\$ 457,411</u> | <u>\$ 25,300,277</u> | <u>\$ 24,000</u>       |

**Note 9 – Interfund Receivables, Payables, and Transfers**

At year end, interfund balances were as follows:

**Due to/from other funds** – At year end, Federal and State Grants, a major governmental fund, had a negative cash balance of \$2,900,835 in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

**Interfund transfers** – Transfers between funds were used to move Federal grant funds of \$210,729 restricted for indirect costs.

**Note 10 – Contingent Liabilities**

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

**Note 11 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the District joined the Arizona School Risk Retention Trust, Inc. (ASRRT). ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for school districts and community colleges in the State. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.



**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 11 – Risk Management**

The District's employees have health and accident insurance coverage with the Rural Schools of Northern Arizona Trust (RSNA). RSNA is a public entity risk pool currently operating as a common risk management and insurance program for six member school districts. The District pays a monthly premium to RSNA for employees' health and accident insurance coverage. The agreement provides that RSNA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The District joined the Arizona School Alliance for Workers' Compensation, Inc. (Alliance) together with other school districts in the state for risks of loss related to workers' compensation claims. The Alliance is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays quarterly premiums to the Alliance for its employee workers' compensation coverage. The agreement provides that the Alliance will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

**Note 12 – Pensions and Other Postemployment Benefits**

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

**Aggregate Amounts.** At June 30, 2024, the District reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

|                                | Pension       | OPEB       | Total      |
|--------------------------------|---------------|------------|------------|
| Net assets                     | \$ 24,163,752 | \$ 799,362 | \$ 799,362 |
| Net liability                  | 24,163,752    |            | 24,163,752 |
| Deferred outflows of resources | 3,387,342     | 66,454     | 3,453,796  |
| Deferred inflows of resources  | 1,468,158     | 361,680    | 1,829,838  |
| Expense                        | 3,115,150     | (483,174)  | 2,631,976  |
| Contributions                  | 2,292,442     | 20,962     | 2,313,404  |

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 12 – Pensions and Other Postemployment Benefits**

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

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

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

**Contributions.** In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent 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 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension plan for the year ended June 30, 2024 were \$2,292,442.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 12 – Pensions and Other Postemployment Benefits**

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The District was required by statute to contribute at the actuarially determined rate of 9.99 percent (9.94 for retirement and 0.05 percent for long-term disability). ACR contributions are included in employer contributions presented above.

The District's pension plan contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

**Pension Liability.** The net pension liability was measured as of June 30, 2023. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023. The District's proportion of the net liability was based on the District's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2023.

At June 30, 2023, the District reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2023, the District's percentage proportion for the plan and the related change from its proportion measured as of June 30, 2022 was:

| Net<br>Liability | District<br>% Proportion | Increase<br>(Decrease) |
|------------------|--------------------------|------------------------|
| \$ 24,163,752    | 0.149                    | 0.005                  |

**Pension Expense and Deferred Outflows/Inflows of Resources.** The District has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The District's pension expense for the year ended June 30, 2024 was \$3,115,150.

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 12 – Pensions and Other Postemployment Benefits**

The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                         | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                                      | \$ 546,004                           | \$                                  |
| Net difference between projected and actual earnings<br>on pension investments                          |                                      | 854,935                             |
| Changes in proportion and differences between<br>contributions and proportionate share of contributions | 548,896                              | 613,223                             |
| Contributions subsequent to the measurement date                                                        | 2,292,442                            |                                     |
| Total                                                                                                   | <u>\$ 3,387,342</u>                  | <u>\$ 1,468,158</u>                 |

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                      |              |
|----------------------|--------------|
| Year Ending June 30: |              |
| 2025                 | \$ (431,460) |
| 2026                 | (756,926)    |
| 2027                 | 921,367      |
| 2028                 | (106,239)    |

**Actuarial Assumptions.** The significant actuarial assumptions used to measure the total pension liability are as follows:

|                             |                     |
|-----------------------------|---------------------|
| Actuarial valuation date    | June 30, 2022       |
| Actuarial roll forward date | June 30, 2023       |
| Actuarial cost method       | Entry age normal    |
| Investment rate of return   | 7.0%                |
| Inflation                   | 2.3%                |
| Projected salary increases  | 2.9-8.4%            |
| Permanent base increases    | Included            |
| Mortality rates             | 2017 SRA Scale U-MP |

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 12 – Pensions and Other Postemployment Benefits**

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class             | Target<br>Allocation | Long-Term<br>Expected<br>Geometric Real<br>Rate of Return |
|-------------------------|----------------------|-----------------------------------------------------------|
| Public equity           | 44%                  | 3.50%                                                     |
| Credit                  | 23 %                 | 5.90                                                      |
| Interest rate sensitive | 6 %                  | 1.50                                                      |
| Private equity          | 10 %                 | 6.70                                                      |
| Real estate             | 17 %                 | 5.90                                                      |
| Total                   | <u>100%</u>          |                                                           |

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

**Kayenta Unified School District No. 27**  
**Notes to Financial Statements**  
**June 30, 2024**

**Note 12 – Pensions and Other Postemployment Benefits**

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|               | Current       |               |               |
|---------------|---------------|---------------|---------------|
|               | 1% Decrease   | Discount Rate | 1% Increase   |
| Rate          | 6.0%          | 7.0%          | 8.0%          |
| Net liability | \$ 36,193,751 | \$ 24,163,752 | \$ 14,132,860 |

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at [www.azasrs.gov](http://www.azasrs.gov).

### **Required Supplementary Information**

**Kayenta Unified School District No. 27**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General**  
**For the Year Ended June 30, 2024**

|                                                          | <b>Budget</b>   |                 | <b>Non-GAAP<br/>Actual</b> | <b>Variance with<br/>Final Budget</b> |
|----------------------------------------------------------|-----------------|-----------------|----------------------------|---------------------------------------|
|                                                          | <b>Original</b> | <b>Final</b>    |                            |                                       |
| <b>Revenues</b>                                          |                 |                 |                            |                                       |
| Other local                                              | \$              | \$              | \$ 114,408                 | \$ 114,408                            |
| State aid and grants                                     |                 |                 | 13,261,060                 | 13,261,060                            |
| <b>Total revenues</b>                                    |                 |                 | 13,375,468                 | 13,375,468                            |
| <b>Expenditures</b>                                      |                 |                 |                            |                                       |
| Current:                                                 |                 |                 |                            |                                       |
| Instruction                                              | 8,052,038       | 8,013,597       | 5,689,880                  | 2,323,717                             |
| Support services - students and staff                    | 483,669         | 504,587         | 427,309                    | 77,278                                |
| Support services - administration                        | 1,258,815       | 1,289,865       | 1,229,938                  | 59,927                                |
| Operation and maintenance of plant services              | 4,124,408       | 4,244,583       | 3,916,184                  | 328,399                               |
| Student transportation services                          | 790,881         | 802,111         | 702,877                    | 99,234                                |
| Operation of non-instructional services                  | 193,500         | 193,500         | 121,590                    | 71,910                                |
| <b>Total expenditures</b>                                | 14,903,311      | 15,048,243      | 12,087,778                 | 2,960,465                             |
| <b>Excess (deficiency) of revenues over expenditures</b> | (14,903,311)    | (15,048,243)    | 1,287,690                  | 16,335,933                            |
| <b>Other financing sources (uses)</b>                    |                 |                 |                            |                                       |
| Transfers in                                             |                 |                 | 340,339                    | 340,339                               |
| <b>Total other financing sources (uses)</b>              |                 |                 | 340,339                    | 340,339                               |
| <b>Changes in fund balances</b>                          | (14,903,311)    | (15,048,243)    | 1,628,029                  | 16,676,272                            |
| <b>Fund balances, beginning of year</b>                  |                 |                 | 3,558,235                  | 3,558,235                             |
| <b>Fund balances, end of year</b>                        | \$ (14,903,311) | \$ (15,048,243) | \$ 5,186,264               | \$ 20,234,507                         |



**Kayenta Unified School District No. 27**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Federal and State Grants**  
**For the Year Ended June 30, 2024**

|                                                          | <u>Budget</u>   |                 | <u>Actual</u>  | <u>Variance with<br/>Final Budget</u> |
|----------------------------------------------------------|-----------------|-----------------|----------------|---------------------------------------|
|                                                          | <u>Original</u> | <u>Final</u>    |                |                                       |
| <b>Revenues</b>                                          |                 |                 |                |                                       |
| Other local revenue                                      | \$              | \$              | \$ 12,097      | \$ 12,097                             |
| State aid and grants                                     |                 |                 | 269,306        | 269,306                               |
| Federal aid, grants and reimbursements                   |                 |                 | 6,622,603      | 6,622,603                             |
| <b>Total revenues</b>                                    |                 |                 | 6,904,006      | 6,904,006                             |
| <b>Expenditures</b>                                      |                 |                 |                |                                       |
| Current:                                                 |                 |                 |                |                                       |
| Instruction                                              | 5,685,851       | 7,601,871       | 2,725,540      | 4,876,331                             |
| Support services - students and staff                    | 2,974,755       | 3,977,189       | 1,425,963      | 2,551,226                             |
| Support services - administration                        | 1,509,717       | 2,018,462       | 723,690        | 1,294,772                             |
| Operation and maintenance of plant services              | 1,093,983       | 1,462,634       | 524,406        | 938,228                               |
| Student transportation services                          | 105,717         | 141,342         | 50,676         | 90,666                                |
| Operation of non-instructional services                  | 277,223         | 370,641         | 132,888        | 237,753                               |
| Capital outlay                                           | 2,255,075       | 3,014,991       | 1,080,981      | 1,934,010                             |
| <b>Total expenditures</b>                                | 13,902,319      | 18,587,130      | 6,664,144      | 11,922,986                            |
| <b>Excess (deficiency) of revenues over expenditures</b> | (13,902,319)    | (18,587,130)    | 239,862        | 18,826,992                            |
| <b>Changes in fund balances</b>                          | (13,902,319)    | (18,587,130)    | 29,133         | 18,616,263                            |
| <b>Fund balances, beginning of year</b>                  |                 |                 | (2,914,746)    | (2,914,746)                           |
| <b>Fund balances, end of year</b>                        | \$ (13,902,319) | \$ (18,587,130) | \$ (2,885,613) | \$ 15,701,517                         |

**Kayenta Unified School District No. 27**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Arizona State Retirement System**  
**Last Ten Fiscal Years**

|                                                                                                             | <u><b>2024</b></u> | <u><b>2023</b></u> | <u><b>2022</b></u> | <u><b>2021</b></u> | <u><b>2020</b></u> |
|-------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Measurement date                                                                                            | June 30, 2023      | June 30, 2022      | June 30, 2021      | June 30, 2020      | June 30, 2019      |
| District's proportion of the net pension (assets) liability                                                 | 0.15%              | 0.14%              | 0.16%              | 0.15%              | 0.16%              |
| District's proportionate share of the net pension (assets) liability                                        | \$ 24,163,752      | \$ 23,490,940      | \$ 20,594,940      | \$ 26,067,749      | \$ 22,872,974      |
| District's covered payroll                                                                                  | \$ 19,418,196      | \$ 17,119,442      | \$ 17,626,168      | \$ 16,647,295      | \$ 16,684,101      |
| District's proportionate share of the net pension (assets) liability as a percentage of its covered payroll | 124.44%            | 137.22%            | 116.84%            | 156.59%            | 137.09%            |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 75.47%             | 74.26%             | 78.58%             | 69.33%             | 73.24%             |

**Schedule of Pension Contributions**  
**Arizona State Retirement System**  
**Last Ten Fiscal Years**

|                                                                      | <u><b>2024</b></u> | <u><b>2023</b></u> | <u><b>2022</b></u> | <u><b>2021</b></u> | <u><b>2020</b></u> |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution                                  | \$ 2,292,442       | \$ 2,314,649       | \$ 2,056,045       | \$ 2,052,663       | \$ 1,881,823       |
| Contributions in relation to the actuarially determined contribution | <u>2,292,442</u>   | <u>2,314,649</u>   | <u>2,056,045</u>   | <u>2,052,663</u>   | <u>1,881,823</u>   |
| Contribution deficiency (excess)                                     | <u>\$</u>          | <u>\$</u>          | <u>\$</u>          | <u>\$</u>          | <u>\$</u>          |
| District's covered payroll                                           | \$ 19,056,043      | \$ 19,418,196      | \$ 17,119,442      | \$ 17,626,168      | \$ 16,647,295      |
| Contributions as a percentage of covered payroll                     | 12.03%             | 11.92%             | 12.01%             | 11.65%             | 11.30%             |

| <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   |
|---------------|---------------|---------------|---------------|---------------|
| June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| 0.16%         | 0.14%         | 0.14%         | 0.14%         | 0.13%         |
| \$ 21,734,196 | \$ 22,282,844 | \$ 22,122,861 | \$ 21,347,359 | \$ 19,851,038 |
| \$ 15,687,146 | \$ 13,993,757 | \$ 12,835,871 | \$ 12,479,118 | \$ 12,089,907 |
| 138.55%       | 159.23%       | 172.35%       | 171.06%       | 164.20%       |
| 73.40%        | 69.92%        | 67.06%        | 68.35%        | 69.49%        |

| <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|------------------|------------------|------------------|------------------|------------------|
| \$ 1,845,119     | \$ 1,694,371     | \$ 1,416,544     | \$ 1,313,110     | \$ 1,205,018     |
| <u>1,845,119</u> | <u>1,694,371</u> | <u>1,416,544</u> | <u>1,313,110</u> | <u>1,205,018</u> |
| <u>\$</u>        | <u>\$</u>        | <u>\$</u>        | <u>\$</u>        | <u>\$</u>        |
| \$ 16,684,101    | \$ 15,687,146    | \$ 13,993,757    | \$ 12,835,871    | \$ 12,479,118    |
| 11.06%           | 10.80%           | 10.12%           | 10.23%           | 9.66%            |

**Kayenta Unified School District No. 27**  
**Notes to Required Supplementary Information**  
**June 30, 2024**

**Note 1 – Budgetary Basis of Accounting**

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

- Certain activities reported in the General Fund are budgeted in separate funds in accordance with Arizona Revised Statutes.
- Prepaid items are budgeted in the year prepaid.
- Employee insurance expenditures are budgeted in the year the employee insurance account is funded.

The following schedule reconciles expenditures and fund balances at the end of year:

|                                                    | Total<br>Expenditures | Fund<br>Balances<br>End of Year |
|----------------------------------------------------|-----------------------|---------------------------------|
| Statement of Revenues, Expenditures and Changes in |                       |                                 |
| Fund Balances - Governmental Funds                 | \$ 27,368,464         | \$ 39,126,135                   |
| Activity budgeted as other fund types              | (15,428,351)          | (33,792,206)                    |
| Current-year prepaid items                         | 712,379               | (712,379)                       |
| Prior-year prepaid items                           | (707,318)             | 707,318                         |
| Employee insurance account                         | 142,604               | (142,604)                       |
| Schedule of Revenue, Expenditures and Changes in   |                       |                                 |
| Fund Balances – Budget and Actual - General Fund   | <u>\$ 12,087,778</u>  | <u>\$ 5,186,264</u>             |

**Note 2 – Pension Plan Schedules**

**Actuarial Assumptions for Valuations Performed.** The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

**Factors that Affect Trends.** The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

**Combining and Individual  
Fund Financial Statements and Schedules**

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## **Governmental Funds**

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## **Non-Major Governmental Funds**

### **Special Revenue Funds**

**Classroom Site** – to account for the financial activity for the portion of state sales tax collections and permanent state school fund earnings.

**Instructional Improvement** – to account for the activity of monies received from gaming revenue.

**Food Service** – to account for the financial activity of school activities that have as their purpose the preparation and serving of regular and incidental meals and snacks in connection with school functions.

**Other Special Revenue Funds** – to account for the revenues and expenditures of other special revenue activities, including the following: civic center, community school, extracurricular activities fees tax credit, insurance proceeds, and student activities.

### **Capital Projects Funds**

**Other Capital Projects Funds** – to account for the revenues and expenditures of other capital projects activities, including building renewal grant.

**Kayenta Unified School District No. 27**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2024**

|                                                                           | <b>Special Revenue Funds</b> |                                  |                     |                              |
|---------------------------------------------------------------------------|------------------------------|----------------------------------|---------------------|------------------------------|
|                                                                           | <b>Classroom Site</b>        | <b>Instructional Improvement</b> | <b>Food Service</b> | <b>Other Special Revenue</b> |
| <b>Assets</b>                                                             |                              |                                  |                     |                              |
| Cash and investments                                                      | \$ 2,237,789                 | \$ 168,949                       | \$ 632,422          | \$ 2,420,493                 |
| Accounts receivable                                                       |                              |                                  |                     | 31,711                       |
| Deposits                                                                  |                              |                                  | 30,321              |                              |
| Due from governmental entities                                            |                              | 54,961                           | 71,221              |                              |
| Inventory                                                                 |                              |                                  | 16,325              |                              |
| Leases receivable                                                         |                              |                                  |                     | 142,211                      |
| <b>Total assets</b>                                                       | <u>\$ 2,237,789</u>          | <u>\$ 223,910</u>                | <u>\$ 750,289</u>   | <u>\$ 2,594,415</u>          |
| <b>Liabilities</b>                                                        |                              |                                  |                     |                              |
| Accounts payable                                                          | \$                           | \$                               | \$ 6,290            | \$ 20,084                    |
| Accrued payroll and employee benefits                                     |                              |                                  | 10,701              | 17,693                       |
| <b>Total liabilities</b>                                                  |                              |                                  | <u>16,991</u>       | <u>37,777</u>                |
| <b>Deferred inflows of resources</b>                                      |                              |                                  |                     |                              |
| Leases                                                                    |                              |                                  |                     | 141,960                      |
| <b>Total deferred inflows of resources</b>                                |                              |                                  |                     | <u>141,960</u>               |
| <b>Fund balances</b>                                                      |                              |                                  |                     |                              |
| Nonspendable                                                              |                              |                                  | 16,325              |                              |
| Restricted                                                                | 2,237,789                    | 223,910                          | 716,973             | 2,414,678                    |
| <b>Total fund balances</b>                                                | <u>2,237,789</u>             | <u>223,910</u>                   | <u>733,298</u>      | <u>2,414,678</u>             |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <u>\$ 2,237,789</u>          | <u>\$ 223,910</u>                | <u>\$ 750,289</u>   | <u>\$ 2,594,415</u>          |

| Capital Projects       |                                    |
|------------------------|------------------------------------|
| Funds                  |                                    |
| Other Capital Projects | Total Non-Major Governmental Funds |
| \$ 1,381,370           | \$ 6,841,023                       |
|                        | 31,711                             |
|                        | 30,321                             |
|                        | 126,182                            |
|                        | 16,325                             |
|                        | 142,211                            |
| <u>\$ 1,381,370</u>    | <u>\$ 7,187,773</u>                |
| <br>                   |                                    |
| \$                     | \$ 26,374                          |
|                        | 28,394                             |
|                        | <u>54,768</u>                      |
| <br>                   |                                    |
|                        | 141,960                            |
|                        | <u>141,960</u>                     |
| <br>                   |                                    |
|                        | 16,325                             |
| <u>1,381,370</u>       | <u>6,974,720</u>                   |
| <u>1,381,370</u>       | <u>6,991,045</u>                   |
| <br>                   |                                    |
| <u>\$ 1,381,370</u>    | <u>\$ 7,187,773</u>                |

**Kayenta Unified School District No. 27**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2024**

|                                                          | Special Revenue Funds |                           |                   |                       |
|----------------------------------------------------------|-----------------------|---------------------------|-------------------|-----------------------|
|                                                          | Classroom Site        | Instructional Improvement | Food Service      | Other Special Revenue |
| <b>Revenues</b>                                          |                       |                           |                   |                       |
| Other local                                              | \$ 66,474             | \$ 4,699                  | \$ 67,040         | \$ 1,952,270          |
| State aid and grants                                     | 1,487,260             | 118,110                   |                   |                       |
| Federal aid, grants and reimbursements                   |                       |                           | 1,683,431         |                       |
| <b>Total revenues</b>                                    | <u>1,553,734</u>      | <u>122,809</u>            | <u>1,750,471</u>  | <u>1,952,270</u>      |
| <b>Expenditures</b>                                      |                       |                           |                   |                       |
| Current:                                                 |                       |                           |                   |                       |
| Instruction                                              | 1,205,765             | 68,039                    |                   | 338,846               |
| Support services - students and staff                    | 10,388                |                           |                   | 134,893               |
| Support services - administration                        |                       |                           | 4,023             | 1,354                 |
| Operation and maintenance of plant services              |                       |                           | 14,948            | 1,028,972             |
| Student transportation services                          |                       |                           |                   | 413                   |
| Operation of non-instructional services                  |                       |                           | 1,507,996         | 93,437                |
| Capital outlay                                           |                       |                           |                   | 34,733                |
| <b>Total expenditures</b>                                | <u>1,216,153</u>      | <u>68,039</u>             | <u>1,526,967</u>  | <u>1,632,648</u>      |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>337,581</u>        | <u>54,770</u>             | <u>223,504</u>    | <u>319,622</u>        |
| <b>Other financing sources (uses)</b>                    |                       |                           |                   |                       |
| Proceeds from sale of capital assets                     |                       |                           |                   | 48                    |
| <b>Total other financing sources (uses)</b>              |                       |                           |                   | <u>48</u>             |
| <b>Changes in fund balances</b>                          | <u>337,581</u>        | <u>54,770</u>             | <u>223,504</u>    | <u>319,670</u>        |
| <b>Fund balances, beginning of year</b>                  | <u>1,900,208</u>      | <u>169,140</u>            | <u>509,794</u>    | <u>2,095,008</u>      |
| <b>Fund balances, end of year</b>                        | <u>\$ 2,237,789</u>   | <u>\$ 223,910</u>         | <u>\$ 733,298</u> | <u>\$ 2,414,678</u>   |

| Capital Projects       |                                    |
|------------------------|------------------------------------|
| Funds                  |                                    |
| Other Capital Projects | Total Non-Major Governmental Funds |
| \$ 69,774              | \$ 2,160,257                       |
| 338,342                | 1,943,712                          |
| 24,076                 | 1,707,507                          |
| <u>432,192</u>         | <u>5,811,476</u>                   |
|                        |                                    |
|                        | 1,612,650                          |
|                        | 145,281                            |
|                        | 5,377                              |
|                        | 1,043,920                          |
|                        | 413                                |
|                        | 1,601,433                          |
|                        | 34,733                             |
| <u>          </u>      | <u>4,443,807</u>                   |
|                        |                                    |
| <u>432,192</u>         | <u>1,367,669</u>                   |
|                        |                                    |
| <u>          </u>      | <u>48</u>                          |
| <u>          </u>      | <u>48</u>                          |
| <u>432,192</u>         | <u>1,367,717</u>                   |
|                        |                                    |
| <u>949,178</u>         | <u>5,623,328</u>                   |
|                        |                                    |
| <u>\$ 1,381,370</u>    | <u>\$ 6,991,045</u>                |

**Kayenta Unified School District No. 27**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Classroom Site**  
**For the Year Ended June 30, 2024**

|                                         | <u>Budget</u>         |                       |                     | Variance with       |
|-----------------------------------------|-----------------------|-----------------------|---------------------|---------------------|
|                                         | <u>Original</u>       | <u>Final</u>          | <u>Actual</u>       | <u>Final Budget</u> |
| <b>Revenues</b>                         |                       |                       |                     |                     |
| Other local                             | \$                    | \$                    | \$ 66,474           | \$ 66,474           |
| State aid and grants                    |                       |                       | 1,487,260           | 1,487,260           |
| <b>Total revenues</b>                   |                       |                       | 1,553,734           | 1,553,734           |
| <b>Expenditures</b>                     |                       |                       |                     |                     |
| Current:                                |                       |                       |                     |                     |
| Instruction                             | 2,815,774             | 3,371,556             | 1,205,765           | 2,165,791           |
| Support services - students and staff   |                       |                       | 10,388              | (10,388)            |
| <b>Total expenditures</b>               | 2,815,774             | 3,371,556             | 1,216,153           | 2,155,403           |
| <b>Changes in fund balances</b>         | (2,815,774)           | (3,371,556)           | 337,581             | 3,709,137           |
| <b>Fund balances, beginning of year</b> |                       |                       | 1,900,208           | 1,900,208           |
| <b>Fund balances, end of year</b>       | <u>\$ (2,815,774)</u> | <u>\$ (3,371,556)</u> | <u>\$ 2,237,789</u> | <u>\$ 5,609,345</u> |

**Kayenta Unified School District No. 27**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Instructional Improvement**  
**For the Year Ended June 30, 2024**

|                                         | <u>Budget</u>             |                   | <u>Variance with</u> |
|-----------------------------------------|---------------------------|-------------------|----------------------|
|                                         | <u>Original and Final</u> | <u>Actual</u>     | <u>Final Budget</u>  |
| <b>Revenues</b>                         |                           |                   |                      |
| Other local                             | \$                        | \$ 4,699          | \$ 4,699             |
| State aid and grants                    |                           | 118,110           | 118,110              |
| <b>Total revenues</b>                   |                           | 122,809           | 122,809              |
| <b>Expenditures</b>                     |                           |                   |                      |
| Current:                                |                           |                   |                      |
| Instruction                             | 133,752                   | 68,039            | 65,713               |
| <b>Total expenditures</b>               | 133,752                   | 68,039            | 65,713               |
| <b>Changes in fund balances</b>         | (133,752)                 | 54,770            | 188,522              |
| <b>Fund balances, beginning of year</b> |                           | 169,140           | 169,140              |
| <b>Fund balances, end of year</b>       | <u>\$ (133,752)</u>       | <u>\$ 223,910</u> | <u>\$ 357,662</u>    |

**Kayenta Unified School District No. 27**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Food Service**  
**For the Year Ended June 30, 2024**

|                                                          | <u>Budget</u>   |                | <u>Actual</u> | <u>Variance with<br/>Final Budget</u> |
|----------------------------------------------------------|-----------------|----------------|---------------|---------------------------------------|
|                                                          | <u>Original</u> | <u>Final</u>   |               |                                       |
| <b>Revenues</b>                                          |                 |                |               |                                       |
| Other local                                              | \$              | \$             | \$ 67,040     | \$ 67,040                             |
| Federal aid, grants and reimbursements                   |                 |                | 1,683,431     | 1,683,431                             |
| <b>Total revenues</b>                                    |                 |                | 1,750,471     | 1,750,471                             |
| <b>Expenditures</b>                                      |                 |                |               |                                       |
| Current:                                                 |                 |                |               |                                       |
| Support services - administration                        | 3,268           | 3,276          | 4,023         | (747)                                 |
| Operation and maintenance of plant services              | 12,144          | 12,174         | 14,948        | (2,774)                               |
| Operation of non-instructional services                  | 1,225,158       | 1,228,121      | 1,507,996     | (279,875)                             |
| <b>Total expenditures</b>                                | 1,240,571       | 1,243,571      | 1,526,967     | (283,396)                             |
| <b>Excess (deficiency) of revenues over expenditures</b> | (1,240,571)     | (1,243,571)    | 223,504       | 1,467,075                             |
| <b>Changes in fund balances</b>                          | (1,240,571)     | (1,243,571)    | 223,504       | 1,467,075                             |
| <b>Fund balances, beginning of year</b>                  |                 |                | 509,794       | 509,794                               |
| <b>Fund balances, end of year</b>                        | \$ (1,240,571)  | \$ (1,243,571) | \$ 733,298    | \$ 1,976,869                          |



**Kayenta Unified School District No. 27**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Other Special Revenue**  
**For the Year Ended June 30, 2024**

|                                                          | <u>Budget</u>   |                |               | <b>Variance with</b> |
|----------------------------------------------------------|-----------------|----------------|---------------|----------------------|
|                                                          | <u>Original</u> | <u>Final</u>   | <u>Actual</u> | <u>Final Budget</u>  |
| <b>Revenues</b>                                          |                 |                |               |                      |
| Other local                                              | \$              | \$             | 1,952,270     | \$ 1,952,270         |
| <b>Total revenues</b>                                    |                 |                | 1,952,270     | 1,952,270            |
| <b>Expenditures</b>                                      |                 |                |               |                      |
| Current:                                                 |                 |                |               |                      |
| Instruction                                              | 447,160         | 471,862        | 338,846       | 133,016              |
| Support services - students and staff                    | 178,012         | 187,846        | 134,893       | 52,953               |
| Support services - administration                        | 1,787           | 1,886          | 1,354         | 532                  |
| Operation and maintenance of plant services              | 1,357,888       | 1,432,902      | 1,028,972     | 403,930              |
| Student transportation services                          | 545             | 575            | 413           | 162                  |
| Operation of non-instructional services                  | 123,305         | 130,116        | 93,437        | 36,679               |
| Capital outlay                                           | 45,836          | 48,368         | 34,733        | 13,635               |
| <b>Total expenditures</b>                                | 2,154,532       | 2,273,555      | 1,632,648     | 640,907              |
| <b>Excess (deficiency) of revenues over expenditures</b> | (2,154,532)     | (2,273,555)    | 319,622       | 2,593,177            |
| <b>Other financing sources (uses)</b>                    |                 |                |               |                      |
| Proceeds from sale of capital assets                     |                 |                | 48            | 48                   |
| <b>Total other financing sources (uses)</b>              |                 |                | 48            | 48                   |
| <b>Changes in fund balances</b>                          | (2,154,532)     | (2,273,555)    | 319,670       | 2,593,225            |
| <b>Fund balances, beginning of year</b>                  |                 |                | 2,095,008     | 2,095,008            |
| <b>Fund balances, end of year</b>                        | \$ (2,154,532)  | \$ (2,273,555) | \$ 2,414,678  | \$ 4,688,233         |

**Kayenta Unified School District No. 27**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Other Capital Projects**  
**For the Year Ended June 30, 2024**

|                                                          | <u>Budget</u>             |                     |                                       |
|----------------------------------------------------------|---------------------------|---------------------|---------------------------------------|
|                                                          | <u>Original and Final</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget</u> |
| <b>Revenues</b>                                          |                           |                     |                                       |
| Other local revenue                                      |                           | \$ 69,774           | \$ 69,774                             |
| State aid and grants                                     |                           | 338,342             | 338,342                               |
| Federal aid, grants and reimbursements                   |                           | 24,076              | 24,076                                |
| <b>Total revenues</b>                                    |                           | <u>432,192</u>      | <u>432,192</u>                        |
| <b>Expenditures</b>                                      |                           |                     |                                       |
| Capital outlay                                           | 500,000                   |                     |                                       |
| <b>Total expenditures</b>                                | <u>500,000</u>            |                     |                                       |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>(500,000)</u>          | 432,192             | <u>432,192</u>                        |
| <b>Changes in fund balances</b>                          | <u>(500,000)</u>          | 432,192             | <u>432,192</u>                        |
| <b>Fund balances, beginning of year</b>                  |                           | 949,178             | 949,178                               |
| <b>Fund balances, end of year</b>                        | <u>\$ (500,000)</u>       | <u>\$ 1,381,370</u> | <u>\$ 1,381,370</u>                   |

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following are summaries of certain provisions of the Trust Agreement, as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Trust Agreement for a complete recital of its terms, as well as a complete recital of the defined terms used therein.

#### Definitions

“*Act*” means Arizona Revised Statutes Title 41, Chapter 56, Article 8 (Sections 41-5801 *et. seq.*).

“*Bankruptcy Law*” means Title 11 of the United States Code, as it is amended from time to time and any successor to or replacement of such Title and any other applicable federal or state bankruptcy, insolvency or other similar law.

“*Bond Building Fund*” means the District’s Impact Aid Revenue Bond Building Fund established by the Treasurer pursuant to A.R.S. § 41-5804 but held for the Treasurer by the Trustee as a trust fund as described in the Trust Agreement.

“*Bond Related Expenses*” mean any expenses incurred by the District to issue and administer the Bonds including placement fees and costs, Trustee fees, financial consultant fees, printing and advertising costs, paying agent fees, transfer agent fees, legal, accounting, feasibility consultant and other professional fees and expenses, attorney and accounting fees and expenses related to credit enhancement, bond insurance or liquidity enhancement, remarketing fees, Rating Agency fees and costs, travel and telephone expenses and all other fees considered necessary by the Governing Board in order to market and administer the Bonds.

“*Bondholder*”, “*Owner*” or “*Owner of the Bonds*” means the Person who owns a Bond; however, the Person in whose name a Bond is registered in the Bond Register shall be regarded for all purposes as such owner.

“*Business Day*” means any day of the year other than (a) a Saturday or Sunday, (b) any day on which banks located in Phoenix, Arizona or the city in which the Office of the Trustee is located are required or authorized by law to remain closed, or (c) any day on which the New York Stock Exchange is closed.

“*Clearing Fund*” means the fund so designated in the Trust Agreement.

“*Counsel*” means an attorney or law firm (who may be counsel for the District), acceptable to the District’s Counsel.

“*Debt Service Fund*” means the trust fund so designated which is described in the Trust Agreement and which is District’s “*Impact Aid Revenue Bond Debt Service Fund*” provided by A.R.S. § 41-5804 and segregated from all other funds and accounts of the Treasurer pursuant to A.R.S. § 41-5805.

“*Debt Service Reserve Fund*” – the fund so designated in the Trust Agreement.

“*Defeasance Obligations*” means, to the extent permitted by Section 41-5761, Arizona Revised Statutes Section 15-2062:

- (a) Cash;
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series (“SLGS”));

(c) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;

(d) Resolution Funding Corp. (REFCORP). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;

(e) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition; and

(f) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

(i) U.S. Export-Import Bank (Eximbank) Direct obligations or fully guaranteed certificates of beneficial ownership

(ii) Farmers Home Administration (FmHA) Certificates of beneficial ownership.

(iii) Federal Financing Bank.

(iv) General Services Administration Participation certificates.

(v) U.S. Maritime Administration. Guaranteed Title XI financing.

(vi) U.S. Department of Housing and Urban Development (HUD)

1) Project Notes;

2) Local Authority Bonds;

3) New Communities Debentures - U.S. government guaranteed debentures; and

4) U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

“*Event of Bankruptcy*” means the commencement of a bankruptcy or similar proceedings, by or against the District, as debtor, under the Bankruptcy Law.

“*Event of Default*” means any of the events specified in the Trust Agreement to be an Event of Default.

“*Fiscal Year*” means the District’s fiscal year, currently July 1 through June 30.

“*Funds*” means the Bond Building Fund, the Clearing Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund.

“*Outstanding*,” means, in connection with Bonds, as of the date in question, all Bonds authenticated and delivered under the Trust Agreement, except:

(a) Bonds theretofore cancelled or delivered to the Trustee for cancellation;

(b) Bonds deemed no longer Outstanding under the Trust Agreement;

(c) Bonds in substitution for which other Bonds have been authenticated and delivered; and

(d) For purposes of any consent or other action to be taken under the Trust Agreement by the owners of a specified percentage in aggregate principal amount of the Bonds, Bonds held by or for the account of the District or any Person controlled by the District.

“*Person*” or “*person*” means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“*Project Costs*” means costs incurred directly or indirectly for or in connection with the construction and equipping of the Project.

“*Revenues*” means (a) all amounts payable to, or received by, the Trustee with respect to the principal of, redemption premium, if any, or interest on, the Bonds including any amounts deposited in the Debt Service Fund from the proceeds of the Bonds and (b) investment income with respect to any moneys held by the Trustee in the Bond Building Fund, the Debt Service Fund and the Reserve Fund. The term “*Revenues*” does not include (a) any moneys or investments or investment income in the Rebate Fund, (b) Impact Aid Revenues received by the Trustee from the Department in a Fiscal Year which are in excess of the sum of (1) regularly scheduled debt service for the Bonds during such Fiscal Year, (2) the amount of any fees, costs or expenses of the Trustee incurred or reasonably expected to be incurred during such Fiscal Year and (3) any then deficiency in, or required deposit to, the Reserve Fund or amount required on a scheduled basis to increase the reserve fund value to the Required Reserve, or (c) IDEA Funding.

“*Series*” means the Bonds and any Additional Bonds so designated pursuant to the Trust Agreement.

“*Series Required Reserve*” means, (a) for the Bonds, the amount of \$760,625\*, (b) for any Series of Additional Bonds, an amount, as of any date of calculation, the sum of an amount equal to the least of (a) ten percent (10%) of the initial offering price to the public of the Series of Additional Bonds, as determined under the Code, or (b) the greatest amount of combined interest and principal requirements on the Series of Additional Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any such Series Additional Bond is due, or (c) one hundred twenty-five percent (125%) of the average of the combined interest and principal requirements on the Series of Additional Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (of if appropriate, the first full Fiscal Year following the execution and delivery of any such Series of Additional Bonds) and terminating with the last Fiscal Year in which any such debt service is due, all as computed and determined by the District and specified in writing to the Trustee.

“*Trust Estate*” means all right, title and interest (not including interest on amounts in the Clearing Fund) of the District in and to (a) the Revenues, (b) the Funds (except for the Bond Building Fund, the Clearing Fund and the Rebate Fund) and (c) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under this Trust Agreement by the District or by anyone on its behalf or with its written consent in favor of the Trustee.

## **Pledge and Security**

The District irrevocably pledges and assigns to the Trustee all of its right, title and interest in and to (a) the Revenues, (b) the Funds (except for the Bond Building Fund, the Clearing Fund and the Rebate Fund) and (c) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under this Trust Agreement by the District or by anyone on its behalf or with its written consent in favor of the Trustee.

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\* *Subject to change.*

## Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to authenticate and deliver the Bonds and to act as a depository of amounts held pursuant to the Trust Agreement. The Trustee is required to make deposits into and withdrawals from funds, and to invest amounts held under the Trust Agreement in accordance with its terms.

## Funds and Accounts

The Trust Agreement creates the Bond Building Fund, the Costs of Issuance Account, the Clearing Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund.

Bond Building Fund. The Bond Building Fund will be used for the payment of Project Costs and Bond Related Expenses. The amounts in the Bond Building Fund are not pledged to payment of the Bonds. Certain of the proceeds of the Bonds, in the amount set out in a certificate of the District delivered concurrently with the issuance and delivery of the Bonds, will be deposited in the Bond Building Fund, and payments from the Bond Building Fund will be made in accordance with the Trust Agreement.

Debt Service Fund. The Trustee will deposit into the Debt Service Fund, as applicable:

- (a) the portion of the proceeds of the Bonds representing capitalized interest;
- (b) all payments made by the District for deposit therein;
- (c) all moneys earned as interest or otherwise derived from investments in the Bond Building Fund;
- (d) unless otherwise provided in an applicable supplemental trust agreement, all moneys earned as interest or otherwise derived from investments in the Reserve Fund, and
- (d) all other amounts required or permitted under the Trust Agreement to be deposited in the Debt Service Fund.

Monies on deposit in the Debt Service Fund will be applied as follows:

- (a) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with redemptions of Bonds;
- (b) to the payment, when due, of the principal of or redemption premium on the Bonds then payable at maturity or upon redemption; and
- (c) to the payments of any deficiencies in the Reserve Fund in accordance with the requirements of the Trust Agreement.

Moneys on deposit in the Debt Service Fund on July 15th of each year beginning on July 15, 2026\* and which represent funds not needed for the payment of principal and interest on the Bonds during the preceding Fiscal Year shall be deposited in a subaccount of the Debt Service Fund to be known as the “*Defeasance Subaccount*” and, at the direction of the District, shall be used either to fund a defeasance escrow to defease Bonds designated by the District, to purchase or redeem Bonds designated by the District in accordance with the provisions of the Trust Agreement or, in the absence of direction from the District, to continue to be held in the Defeasance Subaccount. The Defeasance Subaccount shall be funded from cash of the District or other available funds of the District and shall not be funded with proceeds of the Bonds or any Series of Additional Bonds. The Trustee shall invest amounts on deposit in the Defeasance Subaccount at the direction of the District in Eligible Investments. The District shall direct the Trustee to invest such amounts in Eligible Investments which shall be at a yield less than the yield on the Bonds and any Additional Bonds.

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\* *Subject to change.*

Reserve Fund. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Debt Service Reserve Fund.”

### **Additional Bonds**

See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.”

### **Events of Default**

Events of Default Defined. Each of the following is an “Event of Default” under the Trust Agreement:

- (a) Default in the payment of any installment of interest on any Bond when it becomes due and payable;
- (b) Default in the payment of principal of (or redemption premium, if any, on) any Bond when it becomes due and payable, unless such payment was to be made with regard to a conditional notice of prior redemption;
- (c) Default in the performance, or breach, of any covenant, warranty or representation of the District contained in this Trust Agreement or in the Resolution (other than a default under subsections (a) and (b) of this Section); or
- (d) (1) An Event of Bankruptcy of the District; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the District or of any substantial portion of its property; or (3) the ordering of the winding up or liquidation of the affairs of the District.

Trustee’s Right to Pursue Remedies; No Acceleration. The Trustee, upon the occurrence of an Event of Default, may and upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding, shall proceed to protect and enforce its rights and the rights of the holders of the Bonds by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in the Resolution or in aid of the execution of any power set forth therein, or for the enforcement of any appropriate legal or equitable remedy. Neither the Trustee nor the Holders shall have any right under any circumstances to accelerate the payment dates of the Bonds or otherwise declare any of the payments with respect thereto not then past due or in default to be immediately due and payable.

Limitations on Rights of Holders. The Holders will not have the right to pursue remedies under the Trust Agreement or the Bonds unless:

- (a) An Event of Default has occurred and is continuing;
- (b) The Owners of at not less than 51% in aggregate principal amount of all Bonds then Outstanding have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names;
- (c) The Trustee has been offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred;
- (d) The Trustee has declined to comply with such request, or has failed to do so, within 60 days after its receipt of such written request and offer of indemnity; and
- (e) No direction inconsistent with such request has been given to the Trustee during such 60-day period by the holders of a majority in aggregate principal amount of the Bonds Outstanding.

## **Amendment**

The Trust Agreement may be amended by agreement among the parties thereto without the consent of the Owners of the Bonds but only to (a) cure any ambiguity or defect or omission or correct or supplement any provision in the Trust Agreement or any supplemental agreement, (b) grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee which are not contrary to or inconsistent with the Trust Agreement as then in effect or to subject to the pledge and lien of the Trust Agreement additional revenues, properties or collateral including Defeasance Obligations, (c) add to the covenants and agreements of the District in the Trust Agreement, or surrender any right or power herein reserved to or conferred upon the District which are not contrary to or inconsistent with the Trust Agreement as then in effect; (d) permit the appointment of a co-trustee under the Trust Agreement, (e) modify, alter, supplement or amend the Trust Agreement to permit the qualification of the Trust Agreement, if required, under the Trust Indenture Act of 1939 or the Securities Act of 1933, or any similar federal statute hereafter in effect, (f) make any other change to the Trust Agreement that the Trustee determines is not materially adverse to the interests of the Holders, and (g) to implement the issuance of Additional Bonds as provided by the Trust Agreement.

Any other amendment shall require the approval of the Owners of a majority in principal amount of the Bonds then outstanding; provided that no such amendment shall adversely affect the rights of the District with respect to the Direct Payments (a) effect a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon, (b) effect a reduction in the principal amount of any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable, (c) create a lien on or a pledge of any part of the Trust Estate, or the money or assets pledged under the Trust Agreement, except in the case of issuance of Additional Bonds as provided by the Trust Agreement, (d) grant a preference or priority of any Bond or Bonds over any other Bond or Bonds, (e) effect a reduction in the aggregate principal amount of Bonds of which the consent of the Holders is required to effect any such modification or amendment; or (f) a change in the provisions of the Trust Agreement relating to notice upon an Event of Default.

## **Defeasance**

Discharge. If, (a) the principal of any Series of Bonds and the interest due or to become due thereon prior to maturity is paid, or is caused to be paid, or is provided for by the deposit of Defeasance Obligations in accordance with the terms of the Trust Agreement, or if the Outstanding Bonds are paid and discharged in accordance with the terms of the Trust Agreement, and (b) all of the covenants, agreements, obligations, terms and conditions of the District have been kept, performed and observed and the Trustee has been paid all sums of money due or to become due it in accordance with the provisions of the Trust Agreement, then all right, title and interest of the Trustee in the Trust Estate will thereupon cease, and the Trustee will release the Trust Agreement and the Trust Estate and turn over the Trust Agreement all balances remaining in any of the Funds.

Defeasance. If the District deposits with the Trustee monies or Defeasance Obligations which, together with the earnings thereon, are sufficient to pay the principal of any particular Bond or Bonds becoming due or, either at maturity, by a mandatory redemption or by call for optional redemption or otherwise, together with all interest accruing thereon to the due date or redemption date or other payment date, and pays or makes provision for payment of all fees, costs and expenses of the District and the Trustee due or to become due with respect to such Bonds, all liability of the District with respect to such Bond or Bonds or will cease, such Bond or Bonds will be deemed not to be Outstanding under the Trust Agreement and the Trustee will hold such monies, Defeasance Obligations and earnings in trust for such Holder or Holders.



## APPENDIX E

### FORM OF APPROVING LEGAL OPINION

[Closing Date]

GOVERNING BOARD  
KAYENTA UNIFIED SCHOOL DISTRICT  
NO. 27 OF NAVAJO COUNTY, ARIZONA

We have examined the transcript of proceedings relating to the issuance by Kayenta Unified School District No. 27 (the “*District*”) of Navajo County, Arizona (the “*County*”), of the District’s \$8,425,000\* aggregate principal amount of Impact Aid Revenue Bonds, Series 2025 (Bank Qualified) (the “*Bonds*”), pursuant to Arizona Revised Statutes Sections 41-5801, *et seq.*, a resolution adopted by the Governing Board of the District on March 8, 2025 (the “*Bond Resolution*”), and a Trust Agreement, dated as of July 1, 2025\* (the “*Trust Agreement*”), entered into by and among the District, UMB Bank, n.a., as trustee, and the Treasurer of Navajo County, Arizona. The Bonds are dated [Closing Date], and bear interest payable January 1 and July 1 of each year to maturity or prior redemption, commencing January 1, 2026\*.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

Based on this examination, we are of the opinion that, under existing law the Bonds constitute valid and legal obligations of the District, the principal of and interest on which, subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion, are payable solely from, and secured solely by a pledge of, lien on, and security interest in, the District's Impact Aid Revenues (as defined in the Bond Resolution), consisting generally of revenues received by the District from the federal government pursuant to 20 United States Code Sections 7701 through 7714, other than revenues received pursuant to 20 United States Code Section 7703a for special education purposes, and deposited into the “impact aid bond debt service fund” established pursuant to the Trust Agreement.

Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, we are also of the opinion that interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporation; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The Internal Revenue Code of 1986, as amended (the “*Code*”), includes requirements which the District must continue to meet after the issuance of the Bonds in order that interest on the Bonds will be excludable from gross income for federal income tax purposes. The failure of the District to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. In the event the Bonds become subject to federal income taxes, the interest rate on the Bonds increases, as stated in the Trust Agreement. The District has covenanted in the Bond Resolution to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. (Subject to the same limitations, in the penultimate paragraph hereof, the District has full legal power and authority to comply with

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\* *Subject to change.*

such covenants.) We express no opinion regarding other tax consequences resulting from the receipt or accrual of interest on, or ownership or disposition of, the Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal tax purposes.

The rights of the holders of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights. The enforcement of such rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity.

The opinions expressed herein represent our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. The opinions expressed are given as of the date hereof, and we assume no obligation review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

GUST ROSENFELD P.L.C.

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$8,425,000\***  
**KAYENTA UNIFIED SCHOOL DISTRICT NO. 27**  
**OF NAVAJO COUNTY, ARIZONA**  
**IMPACT AID REVENUE BONDS, SERIES 2025**  
**(BANK QUALIFIED)**

**CONTINUING DISCLOSURE CERTIFICATE**  
**(CUSIP Base No. \_\_\_\_\_)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is undertaken by Kayenta Unified School District No. 27 of Navajo County, Arizona (the “District”) in connection with the issuance of its \$8,425,000\* Impact Aid Revenue Bonds, Series 2025 (the “Bonds”). In consideration of the initial sale and delivery of the Bonds, the District covenants as follows:

**Section 1.**     **Purpose of the Disclosure Certificate.** This Disclosure Certificate is for the benefit of the Bondholders (as defined herein) and in order to assist the Participating Underwriter (as defined herein) in complying with the Rule (as defined herein).

**Section 2.**     **Definitions.** Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

“Annual Report” shall mean the annual report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” shall mean the District’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the District intends to continue to prepare in substantially the same form.

“Bond Counsel” shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the District.

“Bondholder” shall mean any registered owner or beneficial owner of the Bonds.

“Dissemination Agent” shall mean the District, or any person designated in writing by the District as the Dissemination Agent.

“EMMA” shall mean the Electronic Municipal Market Access system of MSRB, or any successor thereto approved by the Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

“Financial Obligation” shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), except that “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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\* *Subject to change.*

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” shall mean the final official statement dated [\_\_\_\_\_, 2025] relating to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **Section 3. Provision of Annual Reports.**

(a) Commencing May 1, 2026, and by no later than May 1 of each year thereafter (the “Filing Date”), the District shall, either directly or by directing the Dissemination Agent to do so, provide an Annual Report to MSRB. The Annual Report shall be provided electronically and in a format prescribed by MSRB. The Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Certificate and shall include information from the fiscal year ending on the preceding June 30. All documents provided to MSRB shall be accompanied by identifying information prescribed by MSRB. Currently, filings are required to be made with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District).

(b) If the District is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the District shall, in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit A not later than the Filing Date.

(c) If the District’s Audited Financial Statements are not submitted with the Annual Report and the District fails to provide to EMMA a copy of its Audited Financial Statements within thirty (30) days of receipt thereof by the District, then the District shall, in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit B.

(d) The Dissemination Agent shall:

(i) Determine the proper electronic filing address of EMMA each year prior to the date(s) for providing the Annual Report and Audited Financial Statements; and

(ii) If the Dissemination Agent is other than the District, file a report or reports with the District certifying that the Annual Report and Audited Financial Statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided and listing where it was provided.

### **Section 4. Content of Annual Reports.**

(a) The Annual Report may be submitted as a single document or as separate documents comprising an electronic package, and may incorporate by reference other information as provided in this Section, including the Audited Financial Statements of the District; provided, however, that if the Audited Financial Statements of the District are not available at the time of the filing of the Annual Report, the District shall file unaudited financial statements of the District with the Annual Report and, when the Audited Financial Statements of the District are available, the same shall be submitted to EMMA within thirty (30) days of receipt thereof by the District.

(b) The District’s Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Sections 3 and 4(a) hereof, Audited Financial Statements for the District.

(B) Annually updated financial information and operating data of the type contained in the following tables in the Official Statement:

- (1) TABLE 2 – IMPACT AID REVENUES RECEIVED; and
- (2) TABLE 3 – FEDERALLY CONNECTED STUDENTS.

(C) In the event of an amendment pursuant to Section 8 of this Disclosure Certificate not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the District's Audited Financial Statements is contained in Note 1 of the Audited Financial Statements included within the Official Statement.

Notice of amendment to the accounting principles shall be sent within thirty (30) days to EMMA.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The District shall clearly identify each such other document so incorporated by reference.

## **Section 5. Reporting of Listed Events.**

(a) This Section shall govern the giving of notices by the District, either directly or by directing the Dissemination Agent to do so, of the occurrence of any of the following events with respect to the Bonds. The District shall in a timely manner, not in excess of ten (10) business days after the occurrence of the event, provide notice of the following events with EMMA:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the District;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (xv) The incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders, if material; and
  - (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.
- (b) “Materiality” will be determined in accordance with the applicable federal securities laws.

**Note to Section 5(a)(xii):** For the purposes of the event identified in subsection (a)(xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

**Section 6. Termination of Reporting Obligation.** The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Such termination shall not terminate the obligation of the District to give notice of such defeasance or prior redemption.

**Section 7. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**Section 8. Amendment.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate if:

- (a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the District, or the type of business conducted;
- (b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment does not materially impair the interests of Bondholders, as determined by Bond Counsel.

**Section 9. Filing with EMMA.** The District shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with EMMA.

**Section 10. Additional Information.** The District may, at the District’s election, include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate. If the District chooses to include such information, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11.**      **Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder may seek specific performance by court order to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Bonds or the resolution authorizing the Bonds.

**Section 12.**      **Compliance by District.** The District hereby covenants to comply with the terms of this Disclosure Certificate. The District expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter or Bond Counsel.

**Section 13.**      **Subject to Appropriation.** Pursuant to Arizona law, the District's undertaking to provide information under this Disclosure Certificate is subject to appropriation to cover the costs of preparing and sending the Annual Report and notices of Listed Events to EMMA. Should funds that would enable the District to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact shall, in a timely manner, be sent to EMMA in substantially the form attached as Exhibit C.

**Section 14.**      **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the Bondholders, and shall create no rights in any other person or entity.

**Section 15.**      **Governing Law and Interpretation of Terms.** This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Dated: [Closing Date].

**KAYENTA UNIFIED SCHOOL DISTRICT NO. 27 OF  
NAVAJO COUNTY, ARIZONA**

By \_\_\_\_\_  
Its Chief Financial Officer

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Kayenta Unified School District No. 27 of Navajo County, Arizona  
Name of Bond Issue: \$8,425,000\* Impact Aid Revenue Bonds, Series 2025  
Dated Date of Bonds: [Closing Date] Base CUSIP: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated [Closing Date]. The District anticipates that the Annual Report for fiscal year ended June 30, \_\_\_\_\_ will be filed by \_\_\_\_\_

Dated: \_\_\_\_\_

Kayenta Unified School District No. 27  
of Navajo County, Arizona

By \_\_\_\_\_  
Its \_\_\_\_\_

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**EXHIBIT B**

**NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS**

Name of Issuer: Kayenta Unified School District No. 27 of Navajo County, Arizona  
Name of Bond Issue: \$8,425,000\* Impact Aid Revenue Bonds, Series 2025  
Dated Date of Bonds: [Closing Date] Base CUSIP: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the District failed to provide its Audited Financial Statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Continuing Disclosure Certificate dated [Closing Date], with respect to the above-named Bonds. The District anticipates that the Audited Financial Statements for the fiscal year ended June 30, \_\_\_\_\_ will be filed by \_\_\_\_\_

Dated: \_\_\_\_\_

Kayenta Unified School District No. 27  
of Navajo County, Arizona

By \_\_\_\_\_  
Its \_\_\_\_\_

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**EXHIBIT C**

**NOTICE OF FAILURE TO APPROPRIATE FUNDS**

Name of Issuer: Kayenta Unified School District No. 27 of Navajo County, Arizona  
Name of Bond Issue: \$8,425,000\* Impact Aid Revenue Bonds, Series 2025  
Dated Date of Bonds: [Closing Date] Base CUSIP: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the District failed to appropriate funds necessary to perform the undertaking required by the Continuing Disclosure Certificate dated [Closing Date].

Dated: \_\_\_\_\_

Kayenta Unified School District No. 27  
of Navajo County, Arizona

By \_\_\_\_\_  
Its \_\_\_\_\_



## **APPENDIX G**

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the Bonds and the redemption price of any Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.





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