



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

October 17, 2023

Arizona State Board of Education
1700 W. Washington St.
Executive Tower Ste. 300
Phoenix, AZ 85007

Subject: Antelope Union High School District—Still in Noncompliance with the USFR Based on Subsequent Audit Reports

Dear Members of the State Board:

We received and reviewed Antelope Union High School District's financial audit reports and *Uniform System of Financial Records for Arizona School Districts* (USFR) Compliance Questionnaire for the year ended June 30, 2022, which indicated that the District is still in noncompliance with the USFR. We have attached a list of the most significant USFR compliance deficiencies noted in these reports, including budgetary overspending and deficit fund balances reported of:

- \$315,629 in general budget limit (GBL) overspending, using the final fiscal year (FY) 2022 Arizona Department of Education-calculated GBL and audited financial statement spending.
- \$247,625 in total deficit fund balances, in funds that are not legally allowed to spend beyond their available cash resources.
- \$192,714 in federal grant fund deficits resulting from unallowable spending in excess of award amounts that will not be eligible for reimbursement.

The District reported \$1,349,315 in registered warrants on its June 30, 2022, financial statements due to spending that exceeded available cash, costing the District \$73,634 in interest expense. The District's independent auditor expressed substantial doubt about the District's ability to pay future expenditures in a timely manner and to continue operating because of the District's budgetary overspending, deficit fund balances, and registered warrants and related interest costs, described above. Additionally, the auditor's opinion on FY 2022 fund balances and expenditures was qualified due to the effects of prior-year unsupported journal entries that were reversed in FY 2022.

As described in our July 31, 2023, letter, the District has been in noncompliance with the USFR since August 2019 and on August 7, 2021, the State Board of Education (State Board) directed the Superintendent of Public Instruction to withhold 3 percent of the District's State Aid in accordance with Arizona Revised Statutes (A.R.S.) §15-271(B). Additionally, on June 26, 2023, the State Board held a hearing and appointed a receiver who may take action as prescribed in A.R.S. §15-103(F).

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Last week, we provided the District an updated corrective action plan template to document its corrective actions taken to comply with the USFR. Once the District can show that it is no longer in noncompliance with the USFR, it should ask my office to perform a status review.

If you have questions concerning this matter, please call Meghan Hieger, Director, or Megan Smith, Manager, within our Accountability Services Division at (602) 977-2796.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

cc: Governing Board
Mr. Pat Koury, Superintendent
Mr. Aaron Whittle, Business Manager
Antelope Union High School District
Mr. Keith Kenny, Receiver for Antelope Union High School District
J.S. Held, LLC
The Honorable Thomas Hurt, Yuma County School Superintendent
Mr. Sean Ross, Executive Director
Arizona State Board of Education
Mr. Art Harding, Chief Operations Officer
Ms. Deirdre Mai, Deputy Associate Superintendent, Grants Management
Arizona Department of Education