



Nadaburg Unified School District No. 81
Single Audit Reporting Package
Year Ended June 30, 2018

Nadaburg Unified School District No. 81

Single Audit Reporting Package
Year Ended June 30, 2018

Issued by:
Business and Financial Services Department

NADABURG UNIFIED SCHOOL DISTRICT NO. 81

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REPORT ON AUDIT OF FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Nadaburg Unified School District No. 81

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nadaburg Unified School District No. 81 (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nadaburg Unified School District No. 81, as of June 30, 2018, 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.

Change in Accounting Principle

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of Nadaburg Unified School District No. 81's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Nadaburg Unified School District No. 81's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

As management of the Nadaburg Unified School District No. 81 (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, 2018. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities decreased \$690,996 which represents a six percent decrease from the prior fiscal year as a result of a decrease in program revenue and state aid primarily due to a decline in student enrollment.
- General revenues accounted for \$8.1 million in revenue, or 79 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$2.2 million or 21 percent of total current fiscal year revenues.
- The District had approximately \$11.0 million in expenses related to governmental activities, a decrease of five percent from the prior fiscal year primarily due to a decline in student enrollment.
- Among major funds, the General Fund had \$7.6 million current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$7.8 million in expenditures. The General Fund's fund balance decrease from a deficit of \$12,739 at the prior fiscal year end to a deficit of \$241,084 at the end of the current fiscal year was primarily due to a decrease in state aid primarily due to a decrease in budget capacity as a result of a decline in student enrollment, which is in part offset by a decrease in instructional expenditures.

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.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF 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.

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, operation of non-instructional services, and interest on long-term debt.

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 can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS

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 Classroom Site 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.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Due to their custodial nature, the fiduciary funds do not have a measurement focus.

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 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 \$9.9 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. Although the District's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2018 and June 30, 2017.

	As of June 30, 2018	As of June 30, 2017
Current and other assets	\$ 2,592,157	\$ 2,856,260
Capital assets, net	17,142,747	17,675,994
Total assets	<u>19,734,904</u>	<u>20,532,254</u>
 Deferred outflows	 <u>1,523,881</u>	 <u>1,849,133</u>
Current and other liabilities	1,282,647	1,353,500
Long-term liabilities	9,327,893	9,123,278
Total liabilities	<u>10,610,540</u>	<u>10,476,778</u>
 Deferred inflows	 <u>702,470</u>	 <u>1,269,124</u>
 Net position:		
Net investment in capital assets	16,159,168	16,402,959
Restricted	1,021,932	1,012,625
Unrestricted	<u>(7,235,325)</u>	<u>(6,780,099)</u>
Total net position	<u>\$ 9,945,775</u>	<u>\$ 10,635,485</u>

At the end of the current fiscal year, the District reported positive balances in two categories of net position. Unrestricted net position reported a deficit of \$7.2 million. The deficit is due to the District's proportionate share of the state pension plan's unfunded liability. 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 principal retirement of \$165,000 of bonds.
- Depreciation expense of capital assets resulted in an increase in accumulated depreciation of \$624,290.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

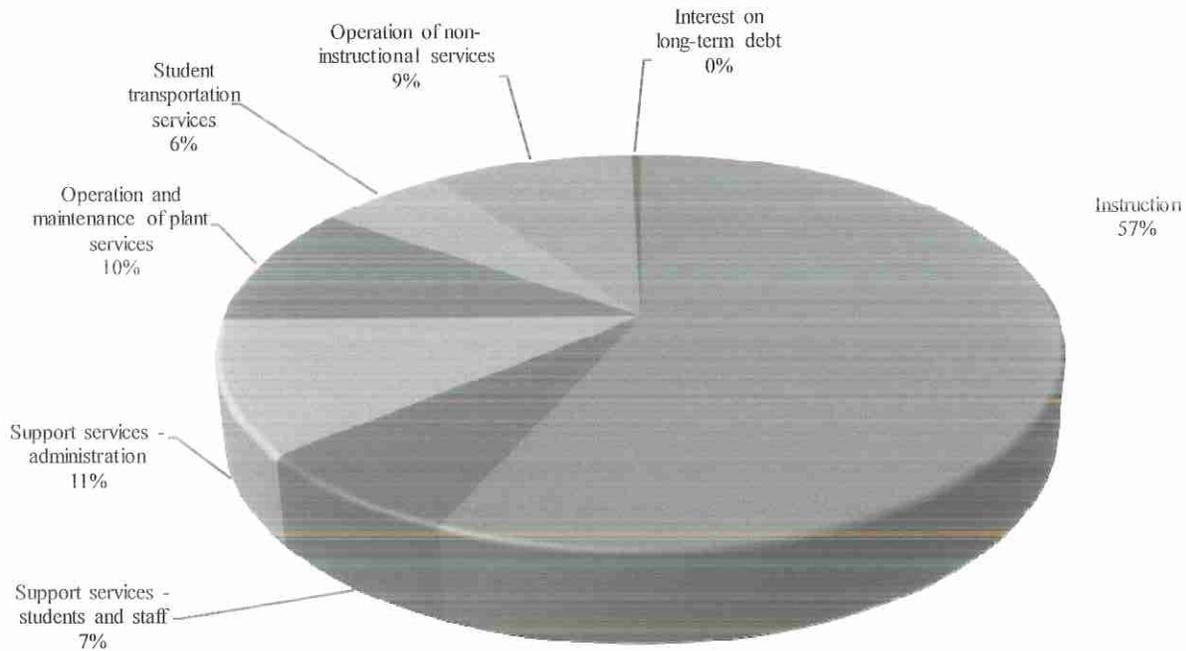
Changes in net position. The District's total revenues for the current fiscal year were \$10.3 million. The total cost of all programs and services was \$11.0 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Revenues:		
Program revenues:		
Charges for services	\$ 310,064	\$ 450,811
Operating grants and contributions	1,835,376	1,920,187
Capital grants and contributions	70,249	116,023
General revenues:		
Property taxes	2,802,325	1,998,115
Investment income	4,459	4,078
Unrestricted county aid	442,409	485,795
Unrestricted state aid	4,782,032	5,106,951
Unrestricted federal aid	69,712	26,598
Total revenues	10,316,626	10,108,558
Expenses:		
Instruction	6,232,908	6,486,847
Support services - students and staff	807,748	847,637
Support services - administration	1,184,515	1,203,882
Operation and maintenance of plant services	1,103,513	1,057,116
Student transportation services	643,163	757,739
Operation of non-instructional services	993,263	1,232,806
Interest on long-term debt	42,512	53,574
Total expenses	11,007,622	11,639,601
Changes in net position	(690,996)	(1,531,043)
Net position, beginning, as restated	10,636,771	12,166,528
Net position, ending	\$ 9,945,775	\$ 10,635,485

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Expenses - Fiscal Year 2018



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

- Property taxes increased \$804,210 due to a reduction in the state equalization assistance.
- Unrestricted state aid decreased \$324,919 due to a decrease in student enrollment.
- A decrease of \$253,939 in instructional expenses and a decrease of \$239,543 in operation of non-instructional services as a result of the decrease in student enrollment.

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.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Year Ended June 30, 2018		Year Ended June 30, 2017	
	Total	Net (Expense)/	Total	Net (Expense)/
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 6,232,908	\$ (5,257,567)	\$ 6,486,847	\$ (5,686,709)
Support services - students and staff	807,748	(617,895)	847,637	(613,658)
Support services - administration	1,184,515	(1,076,277)	1,203,882	(1,045,447)
Operation and maintenance of plant services	1,103,513	(1,103,513)	1,057,116	(966,292)
Student transportation services	643,163	(611,771)	757,739	(586,755)
Operation of non-instructional services	993,263	(82,398)	1,232,806	(200,145)
Interest on long-term debt	42,512	(42,512)	53,574	(53,574)
Total	\$ 11,007,622	\$ (8,791,933)	\$ 11,639,601	\$ (9,152,580)

- The cost of all governmental activities this year was \$11.0 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$2.2 million.
- Net cost of governmental activities of \$8.8 million was financed by general revenues, which are made up of primarily property taxes of \$2.8 million and state and county aid of \$5.2 million.

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 \$624,082, a decrease of \$352,385 due primarily to an overall decrease in revenues due to a decline in student enrollment.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund is the principal operating fund of the District. The decrease in fund balance of a deficit of \$12,739 to a deficit of \$241,084 as of fiscal year end was a result of a decrease in state aid primarily due to a decrease in budget capacity as result of a decline in student enrollment, which is in part offset by a decrease in instructional expenditures. General Fund revenues increased by \$223,085 from the prior year primarily due to the additional collection of property taxes. The General Fund's expenditures decreased by \$470,333 from the prior year primarily due to a reduction in staff from a decline in enrollment.

The Classroom Site Fund's fund balance increased from \$271,858 at the end of the prior fiscal year end to \$480,605 at the end of the current fiscal year primarily due to the payment of teacher performance pay with the Teacher and School Leader Incentive Grant instead of Classroom Site Fund monies.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget. The difference between the original budget and the final amended budget was a \$36,627 decrease, or less than one percent.

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:

- A favorable variance of \$99,309 in student transportation services was due to actual costs for student transportation being less than anticipated.
- An unfavorable variance of \$88,832 in operation of non-instructional services expenditures as a result of a portion of the preschool program's operations being funded from the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the District had invested \$26.0 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, and other equipment. This amount represents a net decrease prior to depreciation of \$125,582 from the prior fiscal year. Total depreciation expense for the current fiscal year was \$624,290.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2018 and June 30, 2017.

	As of June 30, 2018	As of June 30, 2017
Capital assets - non-depreciable	\$ 1,582,217	\$ 1,590,550
Capital assets - depreciable, net	15,560,530	16,085,444
Total	\$ 17,142,747	\$ 17,675,994

Additional information on the District's capital assets can be found in Note 6.

Debt Administration. At year end, the District had \$983,579 in long-term debt outstanding, \$225,470 within one year. Long-term debt decreased by \$289,456.

The District's general obligation bonds are subject to two limits; the Constitutional debt limit (total debt limit) on all general obligation bonds (up to 30 percent of the total net full cash assessed valuation) and the statutory debt limit on Class B bonds (the greater of 20 percent of the net full cash assessed valuation or \$1,500 per student). The current total debt limitation for the District is \$23.8 million and the Class B debt limit is \$15.9 million, which are more than the District's total outstanding general obligation and Class B debt, respectively.

Additional information on the District's long-term debt can be found in Notes 8 through 10.

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 2018-19 budget. Among them:

- Fiscal year 2017-18 budget balance carry forward (estimated \$37,544).
- District student population (estimated 765).

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

Budgeted expenditures in the General Fund decreased less than one percent to \$7.5 million in fiscal year 2018-19.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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 Financial Services Department, Nadaburg Unified School District No. 81, 32919 Center Street, Wittmann, Arizona 85361.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 317,210
Property taxes receivable	425,208
Accounts receivable	4,350
Deposits	14,355
Due from governmental entities	1,802,812
Total current assets	2,563,935
Noncurrent assets:	
Net other postemployment benefits assets	28,222
Capital assets not being depreciated	1,582,217
Capital assets, net of accumulated depreciation	15,560,530
Total noncurrent assets	17,170,969
Total assets	19,734,904
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension and other postemployment benefit plan items	1,523,881
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	85,846
Credit line payable	1,051,000
Accrued payroll and employee benefits	133,319
Compensated absences payable	57,437
Accrued interest payable	11,703
Unearned revenues	779
Obligations under capital leases	55,470
Bonds payable	170,000
Total current liabilities	1,565,554
Noncurrent liabilities:	
Non-current portion of long-term obligations	9,044,986
Total noncurrent liabilities	9,044,986
Total liabilities	10,610,540
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension and other postemployment benefit plan items	702,470
 <u>NET POSITION</u>	
Net investment in capital assets	16,159,168
Restricted for:	
Voter approved initiatives	597,343
Federal and state projects	5,944
Food service	66,372
Extracurricular activities	151,023
Other local initiatives	19,567
Debt service	17,598
Capital outlay	164,085
Unrestricted	(7,235,325)
Total net position	\$ 9,945,775

The notes to the basic financial statements are an integral part of this statement.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Instruction	\$ 6,232,908	\$ 38,351	\$ 866,741	\$ 70,249	\$	(5,257,567)
Support services - students and staff	807,748		189,853			(617,895)
Support services - administration	1,184,515		108,238			(1,076,277)
Operation and maintenance of plant services	1,103,513					(1,103,513)
Student transportation services	643,163	29,150	2,242			(611,771)
Operation of non-instructional services	993,263	242,563	668,302			(82,398)
Interest on long-term debt	42,512					(42,512)
Total governmental activities	\$ 11,007,622	\$ 310,064	\$ 1,835,376	\$ 70,249		(8,791,933)

General revenues:

Taxes:

Property taxes, levied for general purposes	2,626,666
Property taxes, levied for debt service	174,932
Property taxes, levied for capital outlay	727
Investment income	4,459
Unrestricted county aid	442,409
Unrestricted state aid	4,782,032
Unrestricted federal aid	69,712
Total general revenues	8,100,937

Changes in net position (690,996)

Net position, beginning of year, as restated 10,636,771

Net position, end of year \$ 9,945,775

The notes to the basic financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Classroom Site	Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$	\$ 25,185	\$ 292,025
Property taxes receivable	413,059		12,149
Accounts receivable	4,350		
Deposits			14,355
Due from governmental entities	1,488,521	29,968	284,323
Due from other funds		425,452	135,473
Total assets	\$ 1,905,930	\$ 480,605	\$ 738,325
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 67,401	\$	\$ 18,445
Credit line payable	1,051,000		
Due to other funds	560,925		
Accrued payroll and employee benefits	97,674		35,645
Unearned revenues			779
Bonds payable			170,000
Bond interest payable			11,703
Total liabilities	1,777,000		236,572
Deferred inflows of resources:			
Unavailable revenues - property taxes	370,014		9,308
Unavailable revenues - intergovernmental			107,884
Total deferred inflows of resources	370,014		117,192
Fund balances (deficits):			
Restricted	5,528	480,605	532,019
Unassigned	(246,612)		(147,458)
Total fund balances	(241,084)	480,605	384,561
 Total liabilities, deferred inflows of resources and fund balances	\$ 1,905,930	\$ 480,605	\$ 738,325

The notes to the basic financial statements are an integral part of this statement.

Total
Governmental
Funds

\$	317,210
	425,208
	4,350
	14,355
	1,802,812
	560,925
\$	<u>3,124,860</u>

\$	85,846
	1,051,000
	560,925
	133,319
	779
	170,000
	11,703
	<u>2,013,572</u>

	379,322
	107,884
	<u>487,206</u>

	1,018,152
	(394,070)
	<u>624,082</u>

\$	<u>3,124,860</u>
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**NADABURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total governmental fund balances **\$ 624,082**

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	\$ 25,993,911	
Less accumulated depreciation	<u>(8,851,164)</u>	17,142,747

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

Property taxes	379,322	
Intergovernmental	<u>107,884</u>	487,206

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

Deferred outflows of resources related to pensions/OPEB	1,523,881	
Deferred inflows of resources related to pensions/OPEB	<u>(702,470)</u>	821,411

The Net OPEB asset is not a current financial resource and, therefore, is not reported in the funds.

28,222

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

Compensated absences payable	(146,956)	
Obligations under capital leases	(448,579)	
Net OPEB liability	(8,178,477)	
Net pension liability	(18,881)	
Bonds payable	<u>(365,000)</u>	<u>(9,157,893)</u>

Net position of governmental activities **\$ 9,945,775**

The notes to the basic financial statements are an integral part of this statement.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Classroom Site</u>	<u>Non-Major Governmental Funds</u>
Revenues:			
Other local	\$ 538,468	\$ 3,584	\$ 428,563
Property taxes	2,600,450		177,042
State aid and grants	4,388,536	359,610	241,062
Federal aid, grants and reimbursements	69,712		1,383,686
Total revenues	<u>7,597,166</u>	<u>363,194</u>	<u>2,230,353</u>
Expenditures:			
Current -			
Instruction	4,720,680	144,904	803,280
Support services - students and staff	541,701	9,543	216,011
Support services - administration	950,686		93,124
Operation and maintenance of plant services	934,730		75,578
Student transportation services	545,061		5,708
Operation of non-instructional services	128,195		823,709
Capital outlay	640		212,580
Debt service -			
Principal retirement			294,456
Interest and fiscal charges			42,512
Total expenditures	<u>7,821,693</u>	<u>154,447</u>	<u>2,566,958</u>
Excess (deficiency) of revenues over expenditures	<u>(224,527)</u>	<u>208,747</u>	<u>(336,605)</u>
Other financing sources (uses):			
Transfers in	66,381		70,199
Transfers out	(70,199)		(66,381)
Total other financing sources (uses)	<u>(3,818)</u>		<u>3,818</u>
Changes in fund balances	<u>(228,345)</u>	<u>208,747</u>	<u>(332,787)</u>
Fund balances (deficits), beginning of year	(12,739)	271,858	717,348
Fund balances (deficits), end of year	<u>\$ (241,084)</u>	<u>\$ 480,605</u>	<u>\$ 384,561</u>

The notes to the basic financial statements are an integral part of this statement.

Total
Governmental
Funds

\$ 970,615
2,777,492
4,989,208
1,453,398
10,190,713

5,668,864
767,255
1,043,810
1,010,308
550,769
951,904
213,220

294,456
42,512
10,543,098

(352,385)

136,580
(136,580)

(352,385)

976,467

\$ 624,082

**NADABURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Changes in fund balances - total governmental funds **\$ (352,385)**

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 as depreciation expense.

Expenditures for capitalized assets	\$ 99,412	
Less current year depreciation	<u>(624,290)</u>	(524,878)

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

Property taxes	24,833	
Intergovernmental	<u>101,080</u>	125,913

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital lease principal retirement	124,456	
Bond principal retirement	<u>170,000</u>	294,456

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

Current year pension/OPEB contributions	546,868	
Pension/OPEB expense	<u>(729,820)</u>	(182,952)

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	(8,369)	
Compensated absences	<u>(42,781)</u>	<u>(51,150)</u>

Changes in net position in governmental activities **\$ (690,996)**

The notes to the basic financial statements are an integral part of this statement.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 7,957
Total assets	<u>\$ 7,957</u>
<u>LIABILITIES</u>	
Due to student groups	\$ 7,957
Total liabilities	<u>\$ 7,957</u>

The notes to the basic financial statements are an integral part of this statement.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Nadaburg Unified School District No. 81 (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.

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*. This Statement requires governments providing defined benefit postemployment benefits other than pensions to recognize the long-term obligation for those benefits as a liability, and to more comprehensively and comparably measure the annual costs of those benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information. 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, and food services.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Property taxes, federal, state and county aid 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. Fiduciary funds are reported by fund type.

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 as well as the 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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classroom Site Fund – The Classroom Site Fund accounts for the financial activity for the portion of state sales tax collections and permanent state school fund earnings as approved by the voters in 2000.

Additionally, the District reports the following fund type:

Fiduciary Fund – The Fiduciary Fund is an Agency Fund which accounts for resources held by the District on behalf of others. This fund type includes the Student Activities Fund, which accounts for monies raised by students to finance student clubs and organizations held by the District as an agent.

The agency fund is custodial in nature and does not have a measurement focus and is reported on the accrual basis of accounting. The agency fund is reported by fund type.

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.

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. Statute requires collateral for deposits of Bond Building and Debt Service Funds monies in interest bearing savings accounts and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 deposit 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 governmental 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.

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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. 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. Prepaid items are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements.

I. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10 – 25 years
Buildings and improvements	7 – 50 years
Vehicles, furniture and equipment	5 – 20 years

J. 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 position 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 position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. 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.

L. Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit (OPEB) assets and 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.

M. 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.

N. 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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. 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.

P. 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 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 balances amounts are reported.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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 Board delegated the responsibility to the Business Office, however, no assignments of fund balance are presented.

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 Fund	Classroom Site Fund	Non-Major Governmental Funds
Fund Balances:			
Restricted:			
Debt service	\$	\$	\$ 8,290
Capital projects			164,085
Voter approved initiatives		480,605	116,738
Federal and state projects			5,944
Food service			66,372
Extracurricular activities			151,023
Student transportation services	5,528		
Other purposes			19,567
Unassigned	(246,612)		(147,458)
Total fund balances	\$ (241,084)	\$ 480,605	\$ 384,561

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balance – At year end, the following individual major and non-major governmental funds reported deficits in fund balance.

	Deficit
Major Fund:	
General	\$ 241,084
Non-Major Governmental Fund:	
Title I Grants	30,024
Professional Development and Technology Grants	29,361
Title IV Grants	17,584
Limited English & Immigrant Students	11,567
Special Education Grants	10,178
Other Federal Projects	882
Failing Schools Tutoring Grant	9,170
Community School	38,692

The deficits arose because of operations during the year and because of pending grant reimbursements. Additional revenues received in fiscal year 2018-19 are expected to eliminate the deficits.

Excess Expenditures Over Budget – At year end, the District had expenditures in several 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 \$27,839 and the bank balance was \$37,230.

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

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – CASH AND INVESTMENTS

The County Treasurer’s pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant’s position in the County Treasurer investment pool approximates the value of the participant’s 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:

	Average Maturities	Fair Value
County Treasurer’s investment pool	502 days	\$ 297,328
Total		\$ 297,328

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:

	General Fund	Classroom Site Fund	Non-Major Governmental Funds
Due from other governmental entities:			
Due from federal government	\$ 2,358	\$	\$ 140,451
Due from state government	1,486,163	29,968	143,872
Net due from governmental entities	\$ 1,488,521	\$ 29,968	\$ 284,323

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,582,217	\$	\$	\$ 1,582,217
Construction in progress	8,333		8,333	
Total capital assets, not being depreciated	<u>1,590,550</u>		<u>8,333</u>	<u>1,582,217</u>
Capital assets, being depreciated:				
Land improvements	2,170,208			2,170,208
Buildings and improvements	19,038,310	21,545		19,059,855
Vehicles, furniture and equipment	3,320,425	86,200	224,994	3,181,631
Total capital assets being depreciated	<u>24,528,943</u>	<u>107,745</u>	<u>224,994</u>	<u>24,411,694</u>
Less accumulated depreciation for:				
Land improvements	(903,865)	(94,517)		(998,382)
Buildings and improvements	(4,871,621)	(387,552)		(5,259,173)
Vehicles, furniture and equipment	(2,668,013)	(142,221)	(216,625)	(2,593,609)
Total accumulated depreciation	<u>(8,443,499)</u>	<u>(624,290)</u>	<u>(216,625)</u>	<u>(8,851,164)</u>
Total capital assets, being depreciated, net	<u>16,085,444</u>	<u>(516,545)</u>	<u>8,369</u>	<u>15,560,530</u>
Governmental activities capital assets, net	<u>\$ 17,675,994</u>	<u>\$ (516,545)</u>	<u>\$ 16,702</u>	<u>\$ 17,142,747</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 390,737
Support services – students and staff	5,214
Support services – administration	66,165
Operation and maintenance of plant services	79,975
Student transportation services	68,275
Operation of non-instructional services	13,924
Total depreciation expense – governmental activities	<u>\$ 624,290</u>

NOTE 7 – SHORT TERM DEBT

Revolving Line of Credit - The District has a revolving line of credit to provide cash flow during the year to mitigate the impact of timing differences of expenditures and the receipt of state aid and property tax revenues. General Fund revenues are used to repay the line of credit. Short-term debt activity for the current fiscal year was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Revolving line of credit	<u>\$ 1,014,000</u>	<u>\$ 2,087,000</u>	<u>\$2,050,000</u>	<u>\$ 1,051,000</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – OBLIGATIONS UNDER CAPITAL LEASES

The District has acquired buses, technology hardware and energy upgrades under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the Unrestricted Capital Outlay Fund and the Energy Water Savings Fund, both non-major governmental funds, are used to pay the capital lease obligations. Revenues from the General Fund are transferred to the Energy and Water Savings Fund to pay the capital lease obligations when due. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets acquired through capital leases that meet the District’s capitalization threshold are as follows:

	Governmental Activities
Asset:	
Building improvements	\$ 586,706
Vehicles, furniture and equipment	365,946
Less: Accumulated depreciation	(202,442)
Total	\$ 750,210

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows:

		Governmental Activities
Year Ending June 30:		
2019	\$	70,148
2020		70,148
2021		70,148
2022		70,148
2023		70,148
2024-26		157,832
Total minimum lease payments		508,572
Less: amount representing interest		59,993
Present value of minimum lease payments		448,579
Due within one year	\$	55,470

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at year end consisted of the following outstanding general obligation bond. The bond is callable with interest payable semiannually. Property taxes from the Debt Service Fund are used to pay bonded debt.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2018	Due Within One Year
Governmental activities:					
School Improvement Bonds, Project 2005, Series A	\$ 2,000,000	4.375%	7/1/18-20	\$ 535,000	\$ 170,000
Total				<u>\$ 535,000</u>	<u>\$ 170,000</u>

Annual debt service requirements to maturity on general obligation bonds at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2019	\$ 170,000	\$ 19,687
2020	180,000	12,031
2021	185,000	4,047
Total	<u>\$ 535,000</u>	<u>\$ 35,765</u>

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 700,000		\$ 165,000	\$ 535,000	\$ 170,000
Total bonds payable	<u>700,000</u>		<u>165,000</u>	<u>535,000</u>	<u>170,000</u>
Obligations under capital leases	573,035		124,456	448,579	55,470
Net OPEB liability	11,634	7,247		18,881	
Net pension liability	7,746,068	432,409		8,178,477	
Compensated absences payable	104,175	84,996	42,215	146,956	57,437
Governmental activity long-term liabilities	<u>\$ 9,134,912</u>	<u>\$ 524,652</u>	<u>\$ 331,671</u>	<u>\$ 9,327,893</u>	<u>\$ 282,907</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows:

Due to/from other funds:

	Classroom Site Fund	Unrestricted Capital Outlay Fund	Total Due to Other Funds
General Fund	\$ 425,452	\$ 135,473	\$ 560,925
Total Due from Other Funds	<u>\$ 425,452</u>	<u>\$ 135,473</u>	<u>\$ 560,925</u>

At year end, the General Fund had a negative cash balance in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with other funds. All interfund balances are expected to be paid within one year.

Interfund transfers:

Transfers out	Transfers in		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ 66,381	\$ 70,199	\$ 136,580
Non-Major Governmental Funds	66,381	70,199	136,580
Total	<u>\$ 66,381</u>	<u>\$ 70,199</u>	<u>\$ 136,580</u>

Transfers between funds were used to (1) move federal grant funds restricted for indirect costs, and (2) to move monies from the General Fund to the Energy and Water Savings Fund, a non-major governmental fund, for repayment of the capital investment of the qualified provider or utility, energy or water services company based on the established repayment schedule in accordance with A.R.S. §15.910.02(H).

NOTE 12 – 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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – 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.

The District's employees have health and accident insurance coverage with the Arizona School Board Association Insurance Trust (ASBAIT). ASBAIT 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 a monthly premium to ASBAIT for employees' health and accident insurance coverage. The agreement provides that ASBAIT 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.

The District continues to carry commercial insurance for all other risks of loss, including employee dental, life and disability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14 – 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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Aggregate Amounts. At June 30, 2018, the District reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

	Pension	OPEB
Net assets	\$	\$ (28,222)
Net liability	8,178,477	18,881
Deferred outflows of resources	1,495,348	28,533
Deferred inflows of resources	667,835	34,635
Expense	703,240	26,580
Contributions	518,335	28,533

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

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

*With actuarially reduced benefits

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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Retired and disabled members, with at least five years of credited service, are eligible to receive health insurance premium benefits. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 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 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. The District's contributions for the year ended June 30, 2018 were as follows:

	Contributions
Pension	\$ 518,335
Health Insurance Premium	20,924
Long-Term Disability	7,609

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 9.49 percent (9.26 for retirement, 0.10 percent for health insurance premium benefit, and 0.13 percent for long-term disability). ACR contributions are included in employer contributions presented above.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Pension and OPEB Assets/Liability. The net pension and OPEB assets/liability were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The District’s proportion of the net assets/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, 2017.

At June 30, 2018, the District reported the following amounts for its proportionate share of the ASRS plans net assets/liability. In addition, at June 30, 2017, the District’s percentage proportion for each plan and the related change from its proportion measured as of June 30, 2016 was:

	Net (Assets) Liability	District % Proportion	Increase (Decrease)
Pension	\$ 8,178,477	0.053	0.005
Health Insurance Premium	(28,222)	0.052	
Long-Term Disability	18,881	0.052	

Pension/OPEB Expense and Deferred Outflows/Inflows of Resources. The District has deferred outflows and inflows of resources related to the net pension and OPEB assets/liabilities. Certain changes in the net pension and OPEB assets/liability are recognized as pension and OPEB expense over a period of time rather than the year of occurrence. For the year ended June 30, 2018, the District recognized pension and OPEB expense as follows:

	Expense
Pension	\$ 703,240
Health Insurance Premium	16,507
Long-Term Disability	10,073

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$	\$	\$
Changes of assumptions or other inputs	355,210		
Net difference between projected and actual earnings on pension investments	58,716		
Changes in proportion and differences between contributions and proportionate share of contributions	563,087		
Contributions subsequent to the measurement date	518,335	20,924	7,609
Total	\$ 1,495,348	\$ 20,924	\$ 7,609
		Deferred Inflows of Resources	
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$ 245,236	\$	\$
Changes of assumptions or other inputs	244,551		
Net difference between projected and actual earnings on pension investments		31,777	2,824
Changes in proportion and differences between contributions and proportionate share of contributions	178,048	32	2
Total	\$ 667,835	\$ 31,809	\$ 2,826

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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 and OPEB assets/liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year Ending June 30:	Pension	Health Insurance Premium	Long-Term Disability
2019	\$ (188,160)	\$ (7,951)	\$ (707)
2020	539,486	(7,951)	(707)
2021	145,982	(7,951)	(706)
2022	(188,129)	(7,951)	(706)
2023		(4)	

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

	Pension	OPEB
Actuarial valuation date	June 30, 2016	June 30, 2016
Actuarial roll forward date	June 30, 2017	June 30, 2017
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	8.0%	8.0%
Salary increases	3.0-6.75%	Not applicable
Inflation	3.0%	3.0%
Permanent base increases	Included	Not applicable
Mortality rates	1994 GAM Scale BB	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable	Not applicable

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. 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, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The long-term expected rate of return on ASRS plan investments was determined to be 8.70 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 and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.73%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.84
Total	100%	

Discount Rate. The discount rate used to measure the ASRS total pension and OPEB liability was 8.0 percent, which is less than the long-term expected rate of return of 8.70 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 plans’ 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 and OPEB liability.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Sensitivity of the Proportionate Share of the Net Pension and OPEB Asset/Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension and OPEB assets/liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension and OPEB asset/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:

	Proportionate share of the net (assets) liability		
	1% Decrease	Current Discount Rate	1% Increase
Rate	7.0%	8.0%	9.0%
Pension	\$ 10,497,217	\$ 8,178,477	\$ 6,240,971
Health Insurance Premium	46,868	(28,222)	(92,035)
Long-Term Disability	22,577	18,881	15,748

Pension and OPEB Plan Fiduciary Net Position. Detailed information about the pension and OPEB 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.

Beginning Net Position Restatement. The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, represents a change in accounting principle. Net position as of July 1, 2017, has been restated as follows for this change in accounting principle:

	Statement of Activities
Net position, June 30, 2017, as previously reported	\$ 10,635,485
Net OPEB asset	12,920
Net OPEB liability	(11,634)
Net position, July 1, 2017, as restated	\$ 10,636,771

REQUIRED SUPPLEMENTARY INFORMATION

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 436,218	\$ 436,218
Property taxes			2,600,450	2,600,450
State aid and grants			4,388,536	4,388,536
Total revenues			<u>7,425,204</u>	<u>7,425,204</u>
Expenditures:				
Current -				
Instruction	4,660,869	4,634,988	4,656,857	(21,869)
Support services - students and staff	535,600	535,600	525,189	10,411
Support services - administration	914,785	914,785	901,869	12,916
Operation and maintenance of plant services	880,509	880,509	885,891	(5,382)
Student transportation services	618,327	618,327	519,018	99,309
Operation of non-instructional services	16,659	5,913	94,745	(88,832)
Total expenditures	<u>7,626,749</u>	<u>7,590,122</u>	<u>7,583,569</u>	<u>6,553</u>
Excess (deficiency) of revenues over expenditures	<u>(7,626,749)</u>	<u>(7,590,122)</u>	<u>(158,365)</u>	<u>7,431,757</u>
Other financing sources (uses):				
Transfers out			(70,199)	(70,199)
Total other financing sources (uses)			<u>(70,199)</u>	<u>(70,199)</u>
Changes in fund balances	<u>(7,626,749)</u>	<u>(7,590,122)</u>	<u>(228,564)</u>	<u>7,361,558</u>
Fund balances (deficits), beginning of year			(51,897)	(51,897)
Fund balances (deficits), end of year	<u>\$ (7,626,749)</u>	<u>\$ (7,590,122)</u>	<u>\$ (280,461)</u>	<u>\$ 7,309,661</u>

See accompanying notes to this schedule.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CLASSROOM SITE
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 3,584	\$ 3,584
State aid and grants			359,610	359,610
Total revenues			<u>363,194</u>	<u>363,194</u>
Expenditures:				
Current -				
Instruction	845,108	664,834	144,904	519,930
Support services - students and staff		9,578	9,543	35
Total expenditures	<u>845,108</u>	<u>674,412</u>	<u>154,447</u>	<u>519,965</u>
Changes in fund balances	<u>(845,108)</u>	<u>(674,412)</u>	<u>208,747</u>	<u>883,159</u>
Fund balances, beginning of year			271,858	271,858
Fund balances (deficits), end of year	<u>\$ (845,108)</u>	<u>\$ (674,412)</u>	<u>\$ 480,605</u>	<u>\$ 1,155,017</u>

See accompanying notes to this schedule.

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**NADABURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension (assets) liability	0.05%	0.05%	0.05%	0.05%
District's proportionate share of the net pension (assets) liability	\$ 8,178,477	\$ 7,746,068	\$ 7,924,235	\$ 6,677,835
District's covered payroll	\$ 5,141,865	\$ 4,310,811	\$ 4,676,483	\$ 4,050,112
District's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	159.06%	179.69%	169.45%	164.88%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

**SCHEDULE OF PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 518,335	\$ 554,293	\$ 467,723	\$ 509,269
Contributions in relation to the actuarially determined contribution	<u>518,335</u>	<u>554,293</u>	<u>467,723</u>	<u>509,269</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 4,755,367	\$ 5,141,865	\$ 4,310,811	\$ 4,676,483
Contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%

NOTE: The pension and OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**NADABURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM - HEALTH INSURANCE PREMIUM
JUNE 30, 2018**

2018

Measurement date	June 30, 2017
District's proportion of the net OPEB (assets) liability	0.05%
District's proportionate share of the net OPEB (assets) liability	\$ (28,222)
District's covered payroll	\$ 5,141,865
District's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	-0.55%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%

**SCHEDULE OF OPEB CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM - HEALTH INSURANCE PREMIUM
JUNE 30, 2018**

2018

Actuarially determined contribution	\$ 20,924
Contributions in relation to the actuarially determined contribution	<u>20,924</u>
Contribution deficiency (excess)	<u>\$</u>
District's covered payroll	\$ 4,755,367
Contributions as a percentage of covered payroll	0.44%

NOTE: The pension and OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**NADABURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM - LONG-TERM DISABILITY
JUNE 30, 2018**

2018

Measurement date	June 30, 2017
District's proportion of the net OPEB (assets) liability	0.05%
District's proportionate share of the net OPEB (assets) liability	\$ 18,881
District's covered payroll	\$ 5,141,865
District's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%

**SCHEDULE OF OPEB CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM - LONG-TERM DISABILITY
JUNE 30, 2018**

2018

Actuarially determined contribution	\$ 7,609
Contributions in relation to the actuarially determined contribution	<u>7,609</u>
Contribution deficiency (excess)	<u><u>\$</u></u>
District's covered payroll	\$ 4,755,367
Contributions as a percentage of covered payroll	0.16%

NOTE: The pension and OPEB schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 item.

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

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

	Total Expenditures	Fund Balances End of Year
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 7,821,693	\$ (241,084)
Activity budgeted as special revenue funds	(238,088)	(39,377)
Activity budgeted as capital projects funds	(36)	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	\$ 7,583,569	\$ (280,461)

NOTE 2 – PENSION AND OPEB 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, 2016, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. 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, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Instructional Improvement		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants		33,886	33,886
Federal aid, grants and reimbursements			
Total revenues		<u>33,886</u>	<u>33,886</u>
Expenditures:			
Current -			
Instruction	130,325	27,554	102,771
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>130,325</u>	<u>27,554</u>	<u>102,771</u>
Excess (deficiency) of revenues over expenditures	<u>(130,325)</u>	<u>6,332</u>	<u>136,657</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(130,325)</u>	<u>6,332</u>	<u>136,657</u>
Fund balances (deficits), beginning of year		110,406	110,406
Fund balances (deficits), end of year	<u>\$ (130,325)</u>	<u>\$ 116,738</u>	<u>\$ 247,063</u>

County, City, and Town Grants			Title I Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				224,219	224,219
				224,219	224,219
			100,500	100,182	318
			110,500	110,393	107
			43,239	42,899	340
6,649	5,284	1,365			
20,000	10,154	9,846			
26,649	15,438	11,211	254,239	253,474	765
(26,649)	(15,438)	11,211	(254,239)	(29,255)	224,984
				(769)	(769)
				(769)	(769)
(26,649)	(15,438)	11,211	(254,239)	(30,024)	224,215
	26,649	26,649			
\$ (26,649)	\$ 11,211	\$ 37,860	\$ (254,239)	\$ (30,024)	\$ 224,215

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Professional Development and Technology Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction			
Support services - students and staff	29,361	29,328	33
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	29,361	29,328	33
Excess (deficiency) of revenues over expenditures	(29,361)	(29,328)	33
Other financing sources (uses):			
Transfers in			
Transfers out		(33)	(33)
Total other financing sources (uses)		(33)	(33)
Changes in fund balances	(29,361)	(29,361)	
Fund balances (deficits), beginning of year			
Fund balances (deficits), end of year	\$ (29,361)	\$ (29,361)	\$

Title IV Grants			Limited English & Immigrant Students		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	154,445	154,445		4,884	4,884
	154,445	154,445		4,884	4,884
142,000	141,926	74	19,317	15,987	3,330
2,500	2,333	167	500	55	445
10,200	7,160	3,040	200	140	60
1,100	1,095	5			
5,000	4,858	142			
1,200	736	464			
162,000	158,108	3,892	20,017	16,182	3,835
(162,000)	(3,663)	158,337	(20,017)	(11,298)	8,719
	(13,921)	(13,921)		(269)	(269)
	(13,921)	(13,921)		(269)	(269)
(162,000)	(17,584)	144,416	(20,017)	(11,567)	8,450
\$ (162,000)	\$ (17,584)	\$ 144,416	\$ (20,017)	\$ (11,567)	\$ 8,450

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Special Education Grants		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		198,124	198,124
Total revenues		<u>198,124</u>	<u>198,124</u>
Expenditures:			
Current -			
Instruction	150,000	123,409	26,591
Support services - students and staff	30,500	28,756	1,744
Support services - administration	1,850	973	877
Operation and maintenance of plant services			
Student transportation services	1,160	1,092	68
Operation of non-instructional services			
Capital outlay	44,000	40,282	3,718
Total expenditures	<u>227,510</u>	<u>194,512</u>	<u>32,998</u>
Excess (deficiency) of revenues over expenditures	<u>(227,510)</u>	<u>3,612</u>	<u>231,122</u>
Other financing sources (uses):			
Transfers in			
Transfers out		(13,790)	(13,790)
Total other financing sources (uses)		<u>(13,790)</u>	<u>(13,790)</u>
Changes in fund balances	<u>(227,510)</u>	<u>(10,178)</u>	<u>217,332</u>
Fund balances (deficits), beginning of year			
Fund balances (deficits), end of year	<u>\$ (227,510)</u>	<u>\$ (10,178)</u>	<u>\$ 217,332</u>

Medicaid Reimbursement			E-Rate		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 4,183	\$ 4,183	\$	\$ 35	\$ 35
	69,712	69,712		35,561	35,561
	73,895	73,895		35,596	35,596
20,000	22,564	(2,564)		1,177	(1,177)
1,000	2,536	(1,536)			
9,000	14,141	(5,141)			
25,000	30,355	(5,355)	47,067	75,542	(28,475)
55,000	69,596	(14,596)	47,067	76,719	(29,652)
(55,000)	4,299	59,299	(47,067)	(41,123)	5,944
(55,000)	4,299	59,299	(47,067)	(41,123)	5,944
	6,397	6,397		47,067	47,067
\$ (55,000)	\$ 10,696	\$ 65,696	\$ (47,067)	\$ 5,944	\$ 53,011

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Other Federal Projects		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		371,648	371,648
Total revenues		<u>371,648</u>	<u>371,648</u>
Expenditures:			
Current -			
Instruction	382,000	243,625	138,375
Support services - students and staff	18,500	14,326	4,174
Support services - administration	24,000	19,720	4,280
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services	246,163	88,055	158,108
Capital outlay			
Total expenditures	<u>670,663</u>	<u>365,726</u>	<u>304,937</u>
Excess (deficiency) of revenues over expenditures	<u>(670,663)</u>	<u>5,922</u>	<u>676,585</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(670,663)</u>	<u>5,922</u>	<u>676,585</u>
Fund balances (deficits), beginning of year		(6,804)	(6,804)
Fund balances (deficits), end of year	<u>\$ (670,663)</u>	<u>\$ (882)</u>	<u>\$ 669,781</u>

Environmental Special Plate			Failing Schools Tutoring Grant		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
			10,000	9,170	830
780		780			
780		780	10,000	9,170	830
(780)		780	(10,000)	(9,170)	830
(780)		780	(10,000)	(9,170)	830
\$ (780)	\$	\$ 780	\$ (10,000)	\$ (9,170)	\$ 830

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Other State Projects		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants		177,945	177,945
Federal aid, grants and reimbursements			
Total revenues		<u>177,945</u>	<u>177,945</u>
Expenditures:			
Current -			
Instruction	25,000	9,361	15,639
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services	245,599	168,584	77,015
Capital outlay			
Total expenditures	<u>270,599</u>	<u>177,945</u>	<u>92,654</u>
Excess (deficiency) of revenues over expenditures	<u>(270,599)</u>		<u>270,599</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(270,599)</u>		<u>270,599</u>
Fund balances (deficits), beginning of year			
Fund balances (deficits), end of year	<u>\$ (270,599)</u>	<u>\$</u>	<u>\$ 270,599</u>

School Plant			Food Service		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 7,470	\$ 7,470	\$	\$ 83,271	\$ 83,271
				394,805	394,805
	<u>7,470</u>	<u>7,470</u>		<u>478,076</u>	<u>478,076</u>
75,000	3,120	71,880	362,500	362,137	363
			27,500	26,603	897
<u>75,000</u>	<u>3,120</u>	<u>71,880</u>	<u>390,000</u>	<u>388,740</u>	<u>1,260</u>
<u>(75,000)</u>	<u>4,350</u>	<u>79,350</u>	<u>(390,000)</u>	<u>89,336</u>	<u>479,336</u>
				(37,599)	(37,599)
				<u>(37,599)</u>	<u>(37,599)</u>
<u>(75,000)</u>	<u>4,350</u>	<u>79,350</u>	<u>(390,000)</u>	<u>51,737</u>	<u>441,737</u>
	1,178	1,178		14,635	14,635
<u>\$ (75,000)</u>	<u>\$ 5,528</u>	<u>\$ 80,528</u>	<u>\$ (390,000)</u>	<u>\$ 66,372</u>	<u>\$ 456,372</u>

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Civic Center		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 3,956	\$ 3,956
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues	<u> </u>	<u> </u>	<u> </u>
		3,956	3,956
Expenditures:			
Current -			
Instruction	4,000	3,840	160
Support services - students and staff			
Support services - administration	100	43	57
Operation and maintenance of plant services	900	36	864
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u> </u>	<u> </u>	<u> </u>
		5,000	1,081
Excess (deficiency) of revenues over expenditures	<u> </u>	<u> </u>	<u> </u>
	(5,000)	37	5,037
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>
Changes in fund balances	<u> </u>	<u> </u>	<u> </u>
	(5,000)	37	5,037
Fund balances (deficits), beginning of year		1,146	1,146
Fund balances (deficits), end of year	<u> </u>	<u> </u>	<u> </u>
	\$ (5,000)	\$ 1,183	\$ 6,183

Community School			Auxiliary Operations		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 159,226	\$ 159,226	\$	\$ 28,948	\$ 28,948
	<u>159,226</u>	<u>159,226</u>		<u>28,948</u>	<u>28,948</u>
	3,127	(3,127)	9,000	9,000	
145,000	194,791	(49,791)	2,500	2,410	90
<u>145,000</u>	<u>197,918</u>	<u>(52,918)</u>	19,000	14,800	4,200
(145,000)	(38,692)	106,308	750	692	58
			3,750	3,748	2
			<u>35,000</u>	<u>30,650</u>	<u>4,350</u>
			(35,000)	(1,702)	33,298
(145,000)	(38,692)	106,308	(35,000)	(1,702)	33,298
				14,213	14,213
<u>\$ (145,000)</u>	<u>\$ (38,692)</u>	<u>\$ 106,308</u>	<u>\$ (35,000)</u>	<u>\$ 12,511</u>	<u>\$ 47,511</u>

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Extracurricular Activities Fees Tax Credit		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 166,756	\$ 166,756
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		166,756	166,756
Expenditures:			
Current -			
Instruction	220,400	121,423	98,977
Support services - students and staff	55,000	30,812	24,188
Support services - administration	25,000	19,062	5,938
Operation and maintenance of plant services			
Student transportation services	4,600	3,521	1,079
Operation of non-instructional services			
Capital outlay	15,000	837	14,163
Total expenditures	320,000	175,655	144,345
Excess (deficiency) of revenues over expenditures	(320,000)	(8,899)	311,101
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(320,000)	(8,899)	311,101
Fund balances (deficits), beginning of year		159,922	159,922
Fund balances (deficits), end of year	\$ (320,000)	\$ 151,023	\$ 471,023

Gifts and Donations			Textbooks		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 30,233	\$ 30,233	\$	\$ 148	\$ 148
	<u>30,233</u>	<u>30,233</u>		<u>148</u>	<u>148</u>
28,000	28,483	(483)	990		990
4,250	4,255	(5)	10	8	2
2,230	2,248	(18)			
20	164	(144)			
500	633	(133)			
<u>35,000</u>	<u>35,783</u>	<u>(783)</u>	<u>1,000</u>	<u>8</u>	<u>992</u>
<u>(35,000)</u>	<u>(5,550)</u>	<u>29,450</u>	<u>(1,000)</u>	<u>140</u>	<u>1,140</u>
<u>(35,000)</u>	<u>(5,550)</u>	<u>29,450</u>	<u>(1,000)</u>	<u>140</u>	<u>1,140</u>
	17,370	17,370		857	857
<u>\$ (35,000)</u>	<u>\$ 11,820</u>	<u>\$ 46,820</u>	<u>\$ (1,000)</u>	<u>\$ 997</u>	<u>\$ 1,997</u>

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Indirect Costs		Variance - Positive (Negative)
	Budget	Non-GAAP Actual	
Revenues:			
Other local	\$	\$ 528	\$ 528
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>528</u>	<u>528</u>
Expenditures:			
Current -			
Instruction	3,000	3,776	(776)
Support services - students and staff	500	931	(431)
Support services - administration	29,000	29,872	(872)
Operation and maintenance of plant services	100	483	(383)
Student transportation services	2,000	2,145	(145)
Operation of non-instructional services	15,400	29,702	(14,302)
Capital outlay			
Total expenditures	<u>50,000</u>	<u>66,909</u>	<u>(16,909)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(66,381)</u>	<u>(16,381)</u>
Other financing sources (uses):			
Transfers in		66,381	66,381
Transfers out			
Total other financing sources (uses)		<u>66,381</u>	<u>66,381</u>
Changes in fund balances	<u>(50,000)</u>		<u>50,000</u>
Fund balances (deficits), beginning of year			
Fund balances (deficits), end of year	<u>\$ (50,000)</u>	<u>\$</u>	<u>\$ 50,000</u>

Grants and Gifts to Teachers			Intergovernmental Agreements		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 11,059	\$ 11,059	\$	\$ 30,852	\$ 30,852
	<u>11,059</u>	<u>11,059</u>		<u>30,852</u>	<u>30,852</u>
10,000	5,626	4,374	15,000	8,790	6,210
			500	117	383
			3,500	3,201	299
			31,000	19,922	11,078
<u>2,000</u>	<u>489</u>	<u>1,511</u>			
<u>12,000</u>	<u>6,115</u>	<u>5,885</u>	<u>50,000</u>	<u>32,030</u>	<u>17,970</u>
<u>(12,000)</u>	<u>4,944</u>	<u>16,944</u>	<u>(50,000)</u>	<u>(1,178)</u>	<u>48,822</u>
<u>(12,000)</u>	<u>4,944</u>	<u>16,944</u>	<u>(50,000)</u>	<u>(1,178)</u>	<u>48,822</u>
	1,232	1,232			
<u>\$ (12,000)</u>	<u>\$ 6,176</u>	<u>\$ 18,176</u>	<u>\$ (50,000)</u>	<u>\$ (1,178)</u>	<u>\$ 48,822</u>

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 526,665	\$ 526,665
State aid and grants		211,831	211,831
Federal aid, grants and reimbursements		1,453,398	1,453,398
Total revenues		<u>2,191,894</u>	<u>2,191,894</u>
Expenditures:			
Current -			
Instruction	1,254,532	867,103	387,429
Support services - students and staff	267,621	232,523	35,098
Support services - administration	147,819	141,912	5,907
Operation and maintenance of plant services	95,567	124,417	(28,850)
Student transportation services	115,630	31,751	83,879
Operation of non-instructional services	1,030,061	857,159	172,902
Capital outlay	110,980	79,734	31,246
Total expenditures	<u>3,022,210</u>	<u>2,334,599</u>	<u>687,611</u>
Excess (deficiency) of revenues over expenditures	<u>(3,022,210)</u>	<u>(142,705)</u>	<u>2,879,505</u>
Other financing sources (uses):			
Transfers in		66,381	66,381
Transfers out		(66,381)	(66,381)
Total other financing sources (uses)			
Changes in fund balances	<u>(3,022,210)</u>	<u>(142,705)</u>	<u>2,879,505</u>
Fund balances (deficits), beginning of year		394,268	394,268
Fund balances (deficits), end of year	<u>\$ (3,022,210)</u>	<u>\$ 251,563</u>	<u>\$ 3,273,773</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018

	Debt Service		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 1,051	\$ 1,051
Property taxes		176,315	176,315
Total revenues		<u>177,366</u>	<u>177,366</u>
Expenditures:			
Debt service -			
Principal retirement	170,000	170,000	
Interest and fiscal charges	30,000	23,631	6,369
Total expenditures	<u>200,000</u>	<u>193,631</u>	<u>6,369</u>
Changes in fund balances	<u>(200,000)</u>	<u>(16,265)</u>	<u>183,735</u>
Fund balances, beginning of year		24,555	24,555
Fund balances (deficits), end of year	<u>\$ (200,000)</u>	<u>\$ 8,290</u>	<u>\$ 208,290</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Insurance Proceeds		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 36	\$ 36
Property taxes			
State aid and grants			
Total revenues	<u> </u>	<u> 36</u>	<u> 36</u>
Expenditures:			
Current -			
Support services - administration	50	29	21
Capital outlay	50	7	43
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u> 100</u>	<u> 36</u>	<u> 64</u>
Excess (deficiency) of revenues over expenditures	<u> (100)</u>		<u> 100</u>
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>
Changes in fund balances	<u> (100)</u>		<u> 100</u>
Fund balances, beginning of year			
Fund balances (deficits), end of year	<u> \$ (100)</u>	<u> \$</u>	<u> \$ 100</u>

Unrestricted Capital Outlay			Adjacent Ways		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 2,821	\$ 2,821	\$	\$ 210	\$ 210
	140	140		587	587
	<u>2,961</u>	<u>2,961</u>		<u>797</u>	<u>797</u>
142,453	102,746	39,707	20,037		20,037
70,848	70,848				
2,341	2,341				
<u>215,642</u>	<u>175,935</u>	<u>39,707</u>	<u>20,037</u>		<u>20,037</u>
<u>(215,642)</u>	<u>(172,974)</u>	<u>42,668</u>	<u>(20,037)</u>	<u>797</u>	<u>20,834</u>
<u>(215,642)</u>	<u>(172,974)</u>	<u>42,668</u>	<u>(20,037)</u>	<u>797</u>	<u>20,834</u>
	305,884	305,884		19,309	19,309
<u>\$ (215,642)</u>	<u>\$ 132,910</u>	<u>\$ 348,552</u>	<u>\$ (20,037)</u>	<u>\$ 20,106</u>	<u>\$ 40,143</u>

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Gifts and Donations - Capital		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
Property taxes			
State aid and grants			
Total revenues			
Expenditures:			
Current -			
Support services - administration			
Capital outlay	12,000	1,472	10,528
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>12,000</u>	<u>1,472</u>	<u>10,528</u>
Excess (deficiency) of revenues over expenditures	<u>(12,000)</u>	<u>(1,472)</u>	<u>10,528</u>
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)			
Changes in fund balances	<u>(12,000)</u>	<u>(1,472)</u>	<u>10,528</u>
Fund balances, beginning of year		11,783	11,783
Fund balances (deficits), end of year	<u>\$ (12,000)</u>	<u>\$ 10,311</u>	<u>\$ 22,311</u>

Energy and Water Savings			Building Renewal Grant		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 30	\$ 30
				29,231	29,231
				29,261	29,261
			40,000	29,261	10,739
53,608	53,608				
16,540	16,540				
<u>70,148</u>	<u>70,148</u>		<u>40,000</u>	<u>29,261</u>	<u>10,739</u>
<u>(70,148)</u>	<u>(70,148)</u>		<u>(40,000)</u>		<u>40,000</u>
	70,199	70,199			
	<u>70,199</u>	<u>70,199</u>			
<u>(70,148)</u>	<u>51</u>	<u>70,199</u>	<u>(40,000)</u>		<u>40,000</u>
	707	707			
<u>\$ (70,148)</u>	<u>\$ 758</u>	<u>\$ 70,906</u>	<u>\$ (40,000)</u>	<u>\$</u>	<u>\$ 40,000</u>

(Continued)

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 3,097	\$ 3,097
Property taxes		727	727
State aid and grants		29,231	29,231
Total revenues		<u>33,055</u>	<u>33,055</u>
Expenditures:			
Current -			
Support services - administration	50	29	21
Capital outlay	214,540	133,486	81,054
Debt service -			
Principal retirement	124,456	124,456	
Interest and fiscal charges	18,881	18,881	
Total expenditures	<u>357,927</u>	<u>276,852</u>	<u>81,075</u>
Excess (deficiency) of revenues over expenditures	<u>(357,927)</u>	<u>(243,797)</u>	<u>114,130</u>
Other financing sources (uses):			
Transfers in		70,199	70,199
Total other financing sources (uses)		<u>70,199</u>	<u>70,199</u>
Changes in fund balances	<u>(357,927)</u>	<u>(173,598)</u>	<u>184,329</u>
Fund balances, beginning of year		337,683	337,683
Fund balances (deficits), end of year	<u>\$ (357,927)</u>	<u>\$ 164,085</u>	<u>\$ 522,012</u>

SINGLE AUDIT SECTION

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Governing Board
Nadaburg Unified School District No. 81

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nadaburg Unified School District No. 81, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Nadaburg Unified School District No. 81's basic financial statements, and have issued our report thereon dated March 25, 2019. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 75.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nadaburg Unified School District No. 81's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nadaburg Unified School District No. 81's internal control. Accordingly, we do not express an opinion on the effectiveness of Nadaburg Unified School District No. 81's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS-2018-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS-2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nadaburg Unified School District No. 81's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Nadaburg Unified School District No. 81's Response to Finding

Nadaburg Unified School District No. 81's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Nadaburg Unified School District No. 81's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 25, 2019

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Governing Board
Nadaburg Unified School District No. 81

Report on Compliance for Each Major Federal Program

We have audited Nadaburg Unified School District No. 81's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Nadaburg Unified School District No. 81's major federal programs for the year ended June 30, 2018. Nadaburg Unified School District No. 81's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Nadaburg Unified School District No. 81's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nadaburg Unified School District No. 81's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Nadaburg Unified School District No. 81's compliance.

Opinion on Each Major Federal Program

In our opinion, Nadaburg Unified School District No. 81 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Nadaburg Unified School District No. 81 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Nadaburg Unified School District No. 81's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nadaburg Unified School District No. 81's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nadaburg Unified School District No. 81 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Nadaburg Unified School District No. 81's basic financial statements. We issued our report thereon dated March 25, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 25, 2019

**NADABURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

<u>Federal/Pass-Through/Agency</u>	<u>CFDA Number</u>	<u>Federal Award Number</u>	<u>Expenditures and Transfers</u>	<u>Total Expenditures and Transfers</u>
<u>U.S. Department of Education</u>				
Passed through Arizona Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A170003	\$	254,243
Special Education Cluster:				
Special Education Grants to States	84.027	H027A170007	\$	199,959
Special Education Preschool Grants	84.173	H173A170003	8,343	
Total Special Education Cluster			<hr/>	208,302
Twenty-First Century Community Learning Centers	84.287	S287C170003		172,029
English Language Acquisition State Grants	84.365	S365A170003		16,451
Supporting Effective Instruction State Grant	84.367	S367A170049		29,361
Passed through Maricopa County:				
Teacher and School Leader Incentive Grants	84.374	N/A		<hr/> 277,671
Total U.S. Department of Education				<hr/> 958,057
<u>U.S. Department of Agriculture</u>				
Passed through Arizona Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	7AZ300AZ3	37,362	
Summer Food Service Program for Children	10.559	7AZ300AZ3	1,165	
Non-Cash Assistance (Commodities) Subtotal			<hr/> 38,527	
Cash Assistance:				
School Breakfast Program	10.553	7AZ300AZ3	90,714	
National School Lunch Program	10.555	7AZ300AZ3	232,734	
Summer Food Service Program for Children	10.559	7AZ300AZ3	6,227	
Cash Assistance Subtotal			<hr/> 329,675	
Total Child Nutrition Cluster				368,202
Child Nutrition Discretionary Grants Limited Availability	10.579	NSLP-14-AZ-01		<hr/> 26,603
Total U.S. Department of Agriculture				<hr/> 394,805
<u>U.S. Department of Health and Human Services</u>				
Passed through Maricopa County:				
Head Start	93.600	N/A		88,055
Passed through Public Consulting Group, Inc.:				
Medicaid Cluster:				
Medical Assistance Program	93.778	N/A		<hr/> 36,218
Total U.S. Department of Health and Human Services				<hr/> 124,273
Total Expenditures of Federal Awards			\$	<hr/> <hr/> 1,477,135

See accompanying notes to schedule.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Nadaburg Unified School District No. 81 under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2018 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

NOTE 4 – INDIRECT COST RATE

The District has not elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2018-001

CONTEXT

Based on our review of the District's cash reconciliation with the County Treasurer and the District's accounting records, the following items were noted:

- The District overstated cash and beginning fund balance by \$1,448,402 in the General Fund.
- The District did not resolve reconciling items on the reconciliation with the County Treasurer in a timely manner. Specifically, the District did not resolve a double recording of \$40,295 of Community School revenue, resulting in revenue and cash being overstated. Additionally, the District did not resolve two double recordings of Head Start revenue totaling \$30,987, resulting in an overstatement of cash and revenue.
- The District's overstatement of Head Start revenue of \$30,987 resulted in the District including \$30,987 of additional expenditures in the Head Start Fund that were not properly classified in the fund, resulting in an overstatement of expenditures of \$30,987 in the Head Start Fund.

RECOMMENDATION

The District must design and implement effective internal control procedures to ensure the cash balances reported in the District's accounting records reconcile to the cash balances reported by the County Treasurer. In addition, the District should investigate and resolve reconciling items timely to ensure the accounting records are accurate. This will allow for easier identification of the related accounts with errors to ensure corrections are posted to avoid misstatement of the District's accounting records for a prolonged period.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2018-002

Repeat Finding: Yes – FS-2017-002

Type of Finding: Significant Deficiency

Description: Internal Controls Over Capital Assets

CRITERIA

Management is responsible for establishing internal controls over capital assets to allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. The Uniform System of Financial Records (USFR) guidelines require the District to establish and implement certain policies and procedures with respect to capital assets.

CONDITION

The District did not have adequate internal controls in place to prevent or detect errors in the capital asset schedules prepared for financial reporting.

CAUSE

The capital outlay reconciliation was not reviewed to ensure all capital asset additions were captured. Additionally, capital asset additions were not reviewed to ensure they met the capital asset criteria.

EFFECT

The District's internal controls over capital assets with respect to financial reporting were not adequate to ensure that a misstatement would be prevented and/or detected.

CONTEXT

A prior year CIP project that was completed during the fiscal year costing \$20,363 was not capitalized on the capital assets list as a depreciable asset. The \$12,030 spent on the project during fiscal year 2017-18 was not capitalized and included on the capital assets list.

RECOMMENDATION

The District should implement the necessary review procedures to ensure that all capitalizable assets are included in the capital assets listings. Additionally, the District should perform additional reviews of capital asset additions to ensure they meet the capital asset criteria.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.



Nadaburg Unified School District No. 81

Quality Education: Every Student! Every Day!

32919 Center Street, Wittmann, AZ 85361
Office: (623) 388.2100 Fax: (623) 388.2915
www.nadaburgsd.org

Rick Stephen
Superintendent

March 25, 2019

Kerre Laabs
Director of
Business Services
Human Resources

To Whom It May Concern:

James Scott
Director of
Educational
Services

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Governing Board

Matt Varitek
President

Kerre Laabs
Director, HR & Business Services

Valerie Serrano
Clerk

Sandy Jordan
Member

Sue Dolphin
Member

Ann Brown
Member

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018**

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding Number: FS-2018-001

Contact Person: Kerre Laabs

Anticipated Completion Date: April 30, 2019

Planned Corrective Action: The District has created and implemented a reconciliation tool to reconcile District records to the County Treasurer records on a monthly basis. This tool was implemented in November 2018. The District has reconciled all funds to the County Treasurer through February 28, 2019. The District has recorded the adjusting entries for the prior year (2017-18) in February 2019 and March 2019 to bring the District records into compliance. The District is in the process of recording any reconciling entries necessary and submitting Treasurer Transfer Forms to bring any reconciling cash balances to the correct amounts and in agreement with the County Treasurer balances for the fiscal year 2018-19 budget year. The District anticipates that all entries will be posted no later than April 30, 2019. In addition, the District has taken over the responsibility of recording deposits in the accounting system. This task was previously taken care of by the Maricopa County School Superintendent's Office. This allows the District to enter deposits as they are sent to the Treasurer's office, allowing the District to have full control of the accounting transactions.

Finding Number: FS-2018-002

Contact Person: Kerre Laabs

Anticipated Completion Date: June 30, 2019

Planned Corrective Action: The District will review capital asset records on a quarterly basis and reconcile the capital asset expenditures to the capital asset records. The District will review the CIP records to ensure that final project costs are added to the initial cost and recorded appropriately in the District records. Management will be reassigning the capital asset tasks to a different staff member in April 2019. This staff member will attend all available training and Management will ensure that the staff member is reconciling and Management is reviewing the asset records.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

**Status of Findings Related to Financial Statements Reported in Accordance with
*Government Auditing Standards***

Finding Numbers: FS-2017-001, FS-2016-001

Status: Not corrected. See current year finding FS-2018-001.

Planned Corrective Action: All prior year findings were corrected in the 2017-18 year. However, additional reconciliation issues were discovered. In the 2017-18 year, the Treasurer's office implemented a new accounting system in March 2018. This resulted in many transactions not posting correctly and/or posting late in the year, but being back dated to previous months. Although the District did reconcile revenues in May 2018, some transactions were back dated when posted after May, resulting in the current year findings, as the District did not go back to previous months.

The District has created and implemented a reconciliation tool to reconcile District records to the County Treasurer records on a monthly basis. This tool was implemented in November 2018. The District has reconciled all funds to the County Treasurer through February 28, 2019. The District has recorded the adjusting entries for the prior year (2017-18) in February 2019 and March 2019 to bring the District records into compliance. The District is in the process of recording any reconciling entries necessary and submitting Treasurer Transfer Forms to bring any reconciling cash balances to the correct amounts and in agreement with the County Treasurer balances for the fiscal year 2018-19 budget year. The District anticipates that all entries will be posted no later than April 30, 2019. In addition, the District has taken over the responsibility of recording deposits in the accounting system. This task was previously taken care of by the Maricopa County School Superintendent's Office. This allows the district to enter deposits as they are sent to the Treasurer's office, allowing the District to have full control of the accounting transactions.

Finding Number: FS-2017-002

Status: Partially corrected. See current year finding FS-2018-002.

Planned Corrective Action: The District corrected some of the findings from the previous year by implementing additional procedures, doing a full inventory of assets, and updating the accounting system with the correct information. However, an additional issue was discovered with the entering of CIP assets into the system upon completion of the project. The District will review capital asset records on a quarterly basis and reconcile the capital asset expenditures to the capital asset records. The District will review the CIP records to ensure that final project costs are added to the initial cost and recorded appropriately in the District records. Management will be reassigning the capital asset tasks to a different staff member in April 2019. This staff member will attend all available training and Management will ensure that the staff member is reconciling and Management is reviewing the asset records.

Status of Findings and Questioned Costs Related to Federal Awards

Finding Number: 2017-001

Program Name/CFDA Title: Head Start

CFDA Number: 93.600

Status: Fully corrected.