



Nadaburg Unified School District No. 81
Single Audit Reporting Package
Year Ended June 30, 2019

Nadaburg Unified School District No. 81

Single Audit Reporting Package Year Ended June 30, 2019

Issued by:
Business and Financial Services Department

NADABURG UNIFIED SCHOOL DISTRICT NO. 81

<u>CONTENTS</u>	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28
Statement of Assets and Liabilities – Fiduciary Funds	29
Notes to Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	56
Classroom Site Fund	57
Other State Projects Fund	58
Pension Schedules	59
OPEB Schedules	60
Notes to Required Supplementary Information	62

NADABURG UNIFIED SCHOOL DISTRICT NO. 81

CONTENTS

Page

SUPPLEMENTARY INFORMATION

Governmental Funds:

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Non-Major Special Revenue Funds	66
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	84
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – All Capital Projects Funds	86

SINGLE AUDIT SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	93
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	95
Schedule of Expenditures of Federal Awards	98
Notes to the Schedule of Expenditures of Federal Awards	99
Schedule of Findings and Questioned Costs	100
Auditee Response	
Cover Letter	103
Corrective Action Plan	104
Summary Schedule of Prior Audit Findings	105

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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, 2019, 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, 2019, 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.

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 27, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nadaburg Unified School District No. 81's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nadaburg Unified School District No. 81's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

March 27, 2020

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, 2019**

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, 2019. 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 increased \$264,012 which represents a three percent increase from the prior fiscal year as a result of an increase in unrestricted state aid primarily due to an increase in per-pupil funding and enrollment.
- General revenues accounted for \$8.3 million in revenue, or 73 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$3.1 million or 27 percent of total current fiscal year revenues.
- The District had approximately \$11.1 million in expenses related to governmental activities, an increase of one percent from the prior fiscal year, which is insignificant.
- Among major funds, the General Fund had \$7.9 million in current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$8.4 million in expenditures. The General Fund's fund balance decrease from a deficit of \$241,084 at the prior fiscal year end to a deficit of \$748,480 at the end of the current fiscal year was primarily due to a decrease in the District's property tax rates, causing the growth of expenditures to be greater than the growth of revenues.

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, 2019**

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, 2019**

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, Classroom Site, and Other State Projects Funds, all 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 Funds 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 \$10.2 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, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2019 and June 30, 2018.

	As of June 30, 2019	As of June 30, 2018
Current and other assets	\$ 2,790,807	\$ 2,592,157
Capital assets, net	17,086,202	17,142,747
Total assets	<u>19,877,009</u>	<u>19,734,904</u>
Deferred outflows	<u>1,266,578</u>	<u>1,523,881</u>
Current and other liabilities	1,927,239	1,282,647
Long-term liabilities	7,634,767	9,327,893
Total liabilities	<u>9,562,006</u>	<u>10,610,540</u>
Deferred inflows	<u>1,371,794</u>	<u>702,470</u>
Net position:		
Net investment in capital assets	16,328,093	16,159,168
Restricted	1,377,480	1,021,932
Unrestricted	(7,495,786)	(7,235,325)
Total net position	<u>\$ 10,209,787</u>	<u>\$ 9,945,775</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 \$7.5 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 net pension liability decreased \$1.5 million.
- The principal retirement of \$170,000 of bonds.
- Depreciation expense of capital assets resulted in an increase in accumulated depreciation of \$618,246.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019

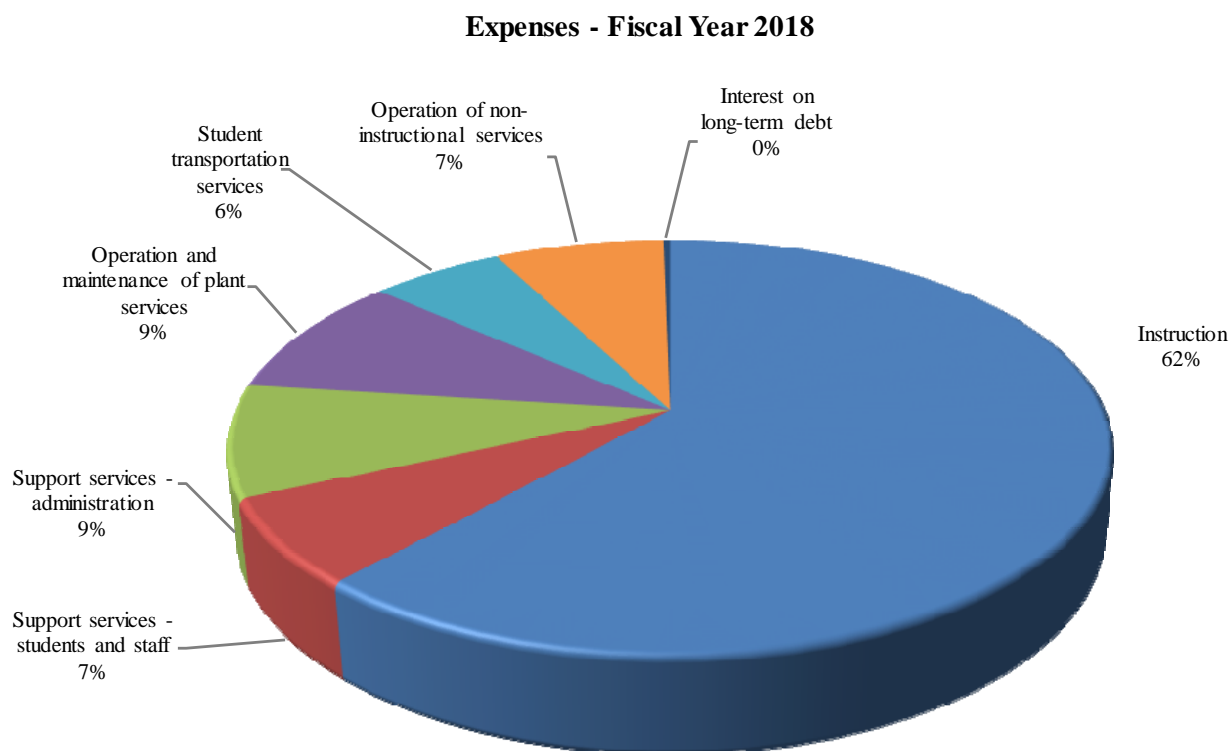
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position. The District's total revenues for the current fiscal year were \$11.4 million. The total cost of all programs and services was \$11.1 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Revenues:		
Program revenues:		
Charges for services	\$ 357,033	\$ 310,064
Operating grants and contributions	2,378,201	1,835,376
Capital grants and contributions	336,083	70,249
General revenues:		
Property taxes	2,508,806	2,802,325
Investment income	12,976	4,459
Unrestricted county aid	455,236	442,409
Unrestricted state aid	5,302,162	4,782,032
Unrestricted federal aid	63,074	69,712
Total revenues	<u>11,413,571</u>	<u>10,316,626</u>
Expenses:		
Instruction	6,868,132	6,232,908
Support services - students and staff	756,085	807,748
Support services - administration	961,711	1,184,515
Operation and maintenance of plant services	1,060,891	1,103,513
Student transportation services	648,498	643,163
Operation of non-instructional services	823,145	993,263
Interest on long-term debt	31,097	42,512
Total expenses	<u>11,149,559</u>	<u>11,007,622</u>
Changes in net position	264,012	(690,996)
Net position, beginning, as restated	<u>9,945,775</u>	<u>10,636,771</u>
Net position, ending	<u><u>\$ 10,209,787</u></u>	<u><u>\$ 9,945,775</u></u>

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS



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

- Property taxes decreased \$293,519 due to a decrease in the District's property tax rates.
- Unrestricted state aid increased \$520,130 due to an increase in per-pupil funding and enrollment.
- Operating grants and contributions increased \$542,825 due to a new preschool development grant and an increase in teacher incentive grant funding.

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, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Year Ended June 30, 2019		Year Ended June 30, 2018	
	Total	Net (Expense)/	Total	Net (Expense)/
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 6,868,132	\$ (5,210,392)	\$ 6,232,908	\$ (5,257,567)
Support services - students and staff	756,085	(538,862)	807,748	(617,895)
Support services - administration	961,711	(855,974)	1,184,515	(1,076,277)
Operation and maintenance of plant services	1,060,891	(960,891)	1,103,513	(1,103,513)
Student transportation services	648,498	(368,127)	643,163	(611,771)
Operation of non-instructional services	823,145	(112,899)	993,263	(82,398)
Interest on long-term debt	31,097	(31,097)	42,512	(42,512)
Total	<u>\$ 11,149,559</u>	<u>\$ (8,078,242)</u>	<u>\$ 11,007,622</u>	<u>\$ (8,791,933)</u>

- The cost of all governmental activities this year was \$11.1 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$3.1 million.
- Net cost of governmental activities of \$8.1 million was financed by general revenues, which are made up of primarily property taxes of \$2.5 million and state and county aid of \$5.8 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 a deficit of \$431,814, a decrease of \$1.1 million due primarily to an increase in instruction related expenditures, which was mostly caused by increases in teacher pay.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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 \$241,084 to a deficit of \$748,480 as of fiscal year end was a result of a decrease in the District's property tax rates, causing the growth of expenditures to be greater than the growth of revenues. General Fund revenues increased by \$260,431 from the prior year primarily due to an increase in state aid and grants. The General Fund's expenditures increased by \$560,290 from the prior year primarily due to an increase in teacher pay.

The Classroom Site Fund's fund balance increased from \$480,605 at the end of the prior fiscal year end to \$597,838 at the end of the current fiscal year primarily due to an increase in state aid for teacher salaries.

The Other State Projects Fund's fund balance decreased to a deficit of \$329,980 at the end of the current fiscal year primarily due to the District purchasing two buses under the Volkswagen diesel emissions settlement terms but not receiving the funds during the period of availability.

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 \$600,802 increase as a result of higher than anticipated salaries and high school tuition costs than originally budgeted.

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 \$51,569 in operation and maintenance of plant services was due to lower than anticipated expenditures as a result of cost savings strategies toward the end of the fiscal year.
- An unfavorable variance of \$50,033 in operation of non-instructional services expenditures as a result of lower than anticipated revenues in other funds where expenditures were required to be moved to the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the District had invested \$26.6 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, and other equipment. This amount represents a net increase prior to depreciation of \$561,701 from the prior fiscal year. Total depreciation expense for the current fiscal year was \$618,246.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2019 and June 30, 2018.

	As of June 30, 2019	As of June 30, 2018
Capital assets - non-depreciable	\$ 1,582,217	\$ 1,582,217
Capital assets - depreciable, net	15,503,985	15,560,530
Total	<u>\$ 17,086,202</u>	<u>\$ 17,142,747</u>

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

Debt Administration. At year end, the District had \$758,109 in long-term debt outstanding, \$237,398 within one year. Long-term debt decreased by \$224,470 due to the repayment of debt according to the District's debt agreements.

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 \$26.4 million and the Class B debt limit is \$17.6 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 10 through 12.

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 2019-20 budget. Among them:

- Fiscal year 2018-19 budget balance carry forward (estimated \$40,000).
- District student population (estimated 760).

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

Budgeted expenditures in the General Fund increased one percent to \$8.2 million in fiscal year 2019-20.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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, 2019

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 26,018
Property taxes receivable	315,571
Accounts receivable	8,289
Deposits	14,402
Due from governmental entities	2,409,585
Total current assets	<u>2,773,865</u>
Noncurrent assets:	
Net other postemployment benefits assets	16,942
Capital assets not being depreciated	1,582,217
Capital assets, net of accumulated depreciation	15,503,985
Total noncurrent assets	<u>17,103,144</u>
Total assets	<u>19,877,009</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension and other postemployment benefit plan items	<u>1,266,578</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	82,058
Credit line payable	1,613,000
Due to county treasurer	140,821
Accrued payroll and employee benefits	82,570
Compensated absences payable	98,109
Accrued interest payable	7,984
Unearned revenues	806
Obligations under capital leases	57,398
Bonds payable	180,000
Total current liabilities	<u>2,262,746</u>
Noncurrent liabilities:	
Non-current portion of long-term obligations	7,299,260
Total noncurrent liabilities	<u>7,299,260</u>
Total liabilities	<u>9,562,006</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension and other postemployment benefit plan items	<u>1,371,794</u>
<u>NET POSITION</u>	
Net investment in capital assets	16,328,093
Restricted	1,377,480
Unrestricted	(7,495,786)
Total net position	<u>\$ 10,209,787</u>

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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 6,868,132	\$ 49,098	\$ 1,272,559	\$ 336,083	\$ (5,210,392)
Support services - students and staff	756,085		217,223		(538,862)
Support services - administration	961,711		105,737		(855,974)
Operation and maintenance of plant services	1,060,891		100,000		(960,891)
Student transportation services	648,498	60,371	220,000		(368,127)
Operation of non-instructional services	823,145	247,564	462,682		(112,899)
Interest on long-term debt	31,097				(31,097)
Total governmental activities	<u>\$ 11,149,559</u>	<u>\$ 357,033</u>	<u>\$ 2,378,201</u>	<u>\$ 336,083</u>	<u>\$ (8,078,242)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	2,274,099
Property taxes, levied for debt service	200,208
Property taxes, levied for capital outlay	34,499
Investment income	12,976
Unrestricted county aid	455,236
Unrestricted state aid	5,302,162
Unrestricted federal aid	63,074
Total general revenues	<u>8,342,254</u>

Changes in net position 264,012

Net position, beginning of year 9,945,775

Net position, end of year \$ 10,209,787

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, 2019

	<u>General</u>	<u>Classroom Site</u>	<u>Other State Projects</u>
<u>ASSETS</u>			
Cash and investments	\$	\$	\$ 26,018
Property taxes receivable	305,018		
Accounts receivable	8,289		
Deposits			
Due from governmental entities	1,446,310	61,192	671,853
Due from other funds		537,598	
Total assets	<u><u>\$ 1,759,617</u></u>	<u><u>\$ 598,790</u></u>	<u><u>\$ 697,871</u></u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 40,177	\$	\$
Credit line payable	1,613,000		
Due to other funds	379,141		369,840
Due to county treasurer	140,821		
Accrued payroll and employee benefits	57,759	952	8,031
Unearned revenues			
Bonds payable			
Bond interest payable			
Total liabilities	<u><u>2,230,898</u></u>	<u><u>952</u></u>	<u><u>377,871</u></u>
Deferred inflows of resources:			
Unavailable revenues - property taxes	277,199		
Unavailable revenues - intergovernmental			649,980
Total deferred inflows of resources	<u><u>277,199</u></u>	<u><u></u></u>	<u><u>649,980</u></u>
Fund balances (deficits):			
Restricted	15,970	597,838	
Unassigned	(764,450)		(329,980)
Total fund balances	<u><u>(748,480)</u></u>	<u><u>597,838</u></u>	<u><u>(329,980)</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,759,617</u></u>	<u><u>\$ 598,790</u></u>	<u><u>\$ 697,871</u></u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$	\$
10,553	26,018
	315,571
	8,289
14,402	14,402
230,230	2,409,585
211,383	748,981
<u>\$ 466,568</u>	<u>\$ 3,522,846</u>

\$	\$
41,881	82,058
	1,613,000
	748,981
	140,821
15,828	82,570
806	806
180,000	180,000
7,984	7,984
<u>246,499</u>	<u>2,856,220</u>

8,498	285,697
162,763	812,743
<u>171,261</u>	<u>1,098,440</u>

435,174	1,048,982
(386,366)	(1,480,796)
<u>48,808</u>	<u>(431,814)</u>

<u>\$ 466,568</u>	<u>\$ 3,522,846</u>
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NADABURG UNIFIED SCHOOL DISTRICT NO. 81
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total governmental fund balances	\$	(431,814)
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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	\$ 26,555,612	
Less accumulated depreciation	<u>(9,469,410)</u>	17,086,202

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

Property taxes	285,697	
Intergovernmental	<u>812,743</u>	1,098,440

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	1,266,578	
Deferred inflows of resources related to pensions/OPEB	<u>(1,371,794)</u>	(105,216)

The Net OPEB asset is not a current financial resource and, therefore, is not reported in the funds.	16,942
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(196,421)	
Obligations under capital leases	(393,109)	
Net OPEB liability	(24,976)	
Net pension liability	(6,655,261)	
Bonds payable	<u>(185,000)</u>	<u>(7,454,767)</u>

Net position of governmental activities	\$	<u>10,209,787</u>
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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, 2019

	<u>General</u>	<u>Classroom Site</u>	<u>Other State Projects</u>
Revenues:			
Other local	\$ 540,784	\$ 10,494	\$ 1,013
Property taxes	2,366,914		
State aid and grants	4,886,825	367,152	223,705
Federal aid, grants and reimbursements	63,074		
Total revenues	<u>7,857,597</u>	<u>377,646</u>	<u>224,718</u>
Expenditures:			
Current -			
Instruction	5,341,991	243,338	9,981
Support services - students and staff	595,692	17,075	
Support services - administration	838,659		
Operation and maintenance of plant services	964,925		
Student transportation services	558,947		
Operation of non-instructional services	58,857		217,272
Capital outlay	22,912		327,445
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>8,381,983</u>	<u>260,413</u>	<u>554,698</u>
Excess (deficiency) of revenues over expenditures	<u>(524,386)</u>	<u>117,233</u>	<u>(329,980)</u>
Other financing sources (uses):			
Transfers in	61,702		
Transfers out	(70,200)		
Insurance recoveries	25,488		
Total other financing sources (uses)	<u>16,990</u>		
Changes in fund balances	<u>(507,396)</u>	<u>117,233</u>	<u>(329,980)</u>
Fund balances (deficits), beginning of year	(241,084)	480,605	
Fund balances (deficits), end of year	<u>\$ (748,480)</u>	<u>\$ 597,838</u>	<u>\$ (329,980)</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 467,439	\$ 1,019,730
235,517	2,602,431
59,634	5,537,316
1,554,298	1,617,372
<u>2,316,888</u>	<u>10,776,849</u>
1,100,362	6,695,672
186,599	799,366
66,606	905,265
33,078	998,003
308	559,255
581,571	857,700
426,048	776,405
235,470	235,470
31,097	31,097
<u>2,661,139</u>	<u>11,858,233</u>
<u>(344,251)</u>	<u>(1,081,384)</u>
70,200	131,902
(61,702)	(131,902)
	25,488
<u>8,498</u>	<u>25,488</u>
<u>(335,753)</u>	<u>(1,055,896)</u>
384,561	624,082
<u>\$ 48,808</u>	<u>\$ (431,814)</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Changes in fund balances - total governmental funds **\$ (1,055,896)**

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	\$ 561,701	
Less current year depreciation	<u>(618,246)</u>	(56,545)

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

Property taxes	(93,625)	
Intergovernmental	<u>704,859</u>	611,234

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	55,470	
Bond principal retirement	<u>180,000</u>	235,470

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	593,791	
Pension/OPEB expense	<u>(14,577)</u>	579,214

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.

Compensated absences		<u>(49,465)</u>
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Changes in net position in governmental activities **\$ 264,012**

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, 2019

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 9,033
Total assets	<u>\$ 9,033</u>
<u>LIABILITIES</u>	
Due to student groups	\$ 9,033
Total liabilities	<u>\$ 9,033</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, 2019

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.

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, 2019

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, 2019

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, 2019

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.

Other State Projects Fund – The Other State Projects Fund accounts for financial assistance received for other State projects.

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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable 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, 2019

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, 2019

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, 2019

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, 2019

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	Other State Projects Fund	Non-Major Governmental Funds
Fund Balances:				
Restricted:				
Debt service	\$	\$	\$	\$ 15,533
Capital projects				28,461
Voter approved initiatives		597,838		101,959
Food service				104,851
Extracurricular activities				165,692
Student transportation services	15,970			
Other purposes				18,678
Unassigned	(764,450)		(329,980)	(386,366)
Total fund balances	<u>\$ (748,480)</u>	<u>\$ 597,838</u>	<u>\$ (329,980)</u>	<u>\$ 48,808</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – RESTRICTED NET POSITION

The table below provides detail of the major components of the District's restricted net position at year end.

	<u>Governmental Activities</u>
Restricted Net Position:	
Debt service	\$ 24,031
Capital projects	28,461
Voter approved initiatives	699,797
Federal and state projects	320,000
Food service	104,851
Extracurricular activities	165,692
Other purposes	34,648
Total	<u><u>\$ 1,377,480</u></u>

NOTE 4 – 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.

	<u>Deficit</u>
Major Funds:	
General	\$ 748,480
Other State Projects	329,980
Non-Major Governmental Fund:	
Title I Grants	32,455
Professional Development and Technology Grants	3,341
Title IV Grants	29,670
Special Education Grants	21,268
Other Federal Projects	76,029
Unrestricted Capital Outlay	88,590
Building Renewal Grant	135,013

The deficits arose because of operations during the year and because of pending grant reimbursements. Additional revenues received in fiscal year 2019-20 are expected to eliminate the deficits.

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

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – 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 \$26,018 and the bank balance was \$76,571.

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

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

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each 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 in the County Treasurer's investment pool was in a deficit position of \$140,821. See Note 8.

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer's investment pool	318 days	\$ 9,033
Total		<u>\$ 9,033</u>

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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – 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	Other State Projects Fund	Non-Major Governmental Funds
Due from other governmental entities:				
Due from federal government	\$ 4,397	\$	\$	\$ 215,596
Due from state government	1,441,913	61,192	671,853	14,634
Net due from governmental entities	<u>\$ 1,446,310</u>	<u>\$ 61,192</u>	<u>\$ 671,853</u>	<u>\$ 230,230</u>

NOTE 7 – 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
Total capital assets, not being depreciated	<u>1,582,217</u>			<u>1,582,217</u>
Capital assets, being depreciated:				
Land improvements	2,170,208	111,499		2,281,707
Buildings and improvements	19,059,855	131,247		19,191,102
Vehicles, furniture and equipment	3,181,631	318,955		3,500,586
Total capital assets being depreciated	<u>24,411,694</u>	<u>561,701</u>		<u>24,973,395</u>
Less accumulated depreciation for:				
Land improvements	(998,382)	(93,779)		(1,092,161)
Buildings and improvements	(5,259,173)	(398,213)		(5,657,386)
Vehicles, furniture and equipment	(2,593,609)	(126,254)		(2,719,863)
Total accumulated depreciation	<u>(8,851,164)</u>	<u>(618,246)</u>		<u>(9,469,410)</u>
Total capital assets, being depreciated, net	<u>15,560,530</u>	<u>(56,545)</u>		<u>15,503,985</u>
Governmental activities capital assets, net	<u>\$ 17,142,747</u>	<u>\$ (56,545)</u>	<u>\$</u>	<u>\$ 17,086,202</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 392,381
Support services – students and staff	5,214
Support services – administration	50,836
Operation and maintenance of plant services	82,650
Student transportation services	76,161
Operation of non-instructional services	11,004
Total depreciation expense – governmental activities	<u>\$ 618,246</u>

NOTE 8 – DUE TO GOVERNMENTAL ENTITIES

Payable balances have been disaggregated by type and presented separately in the financial statements with the exception of due to governmental entities. Due to governmental entities for the District's general fund at year end included a due to county payable of \$140,821.

NOTE 9 – 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. At year end, the District had \$387,000 in unused line of credit. 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>\$ 1,051,000</u>	<u>\$ 4,832,000</u>	<u>\$4,270,000</u>	<u>\$ 1,613,000</u>

NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES

The District has acquired energy upgrades under the provisions of a long-term a lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. 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.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – OBLIGATIONS UNDER CAPITAL LEASES

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

	<u>Governmental Activities</u>
Asset:	
Building improvements	\$ 586,706
Less: Accumulated depreciation	<u>143,417</u>
Total	<u><u>\$ 443,289</u></u>

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

Year Ending June 30:	<u>Governmental Activities</u>
2020	\$ 70,148
2021	70,148
2022	70,148
2023	70,148
2024	70,148
2025-26	<u>87,684</u>
Total minimum lease payments	438,424
Less: amount representing interest	<u>45,315</u>
Present value of minimum lease payments	<u><u>393,109</u></u>
Due within one year	<u><u>\$ 57,398</u></u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – 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, 2019	Due Within One Year
Governmental activities:					
School Improvement Bonds, Project 2005, Series A	\$ 2,000,000	4.375%	7/1/19-20	\$ 365,000	\$ 180,000
Total				<u>\$ 365,000</u>	<u>\$ 180,000</u>

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

		Governmental Activities	
Year ending June 30:		Principal	Interest
	2020	\$ 180,000	\$ 12,031
	2021	185,000	4,047
Total		<u>\$ 365,000</u>	<u>\$ 16,078</u>

NOTE 12 – 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	\$ 535,000	\$	\$ 170,000	\$ 365,000	\$ 180,000
Total bonds payable	<u>535,000</u>		<u>170,000</u>	<u>365,000</u>	<u>180,000</u>
Obligations under capital leases	448,579		55,470	393,109	57,398
Net OPEB liability	18,881	6,095		24,976	
Net pension liability	8,178,477		1,523,216	6,655,261	
Compensated absences payable	<u>146,956</u>	<u>87,457</u>	<u>37,992</u>	<u>196,421</u>	<u>98,109</u>
Governmental activity long-term liabilities	<u>\$ 9,327,893</u>	<u>\$ 93,552</u>	<u>\$ 1,786,678</u>	<u>\$ 7,634,767</u>	<u>\$ 335,507</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows:

Due to/from other funds:

	Classroom Site Fund	Non-Major Governmental Funds	Total Due to Other Funds
General Fund	\$ 379,141	\$	\$ 379,141
Other State Projects Fund	158,457	211,383	369,840
Total Due from Other Funds	<u>\$ 537,598</u>	<u>\$ 211,383</u>	<u>\$ 748,981</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 in		
	General Fund	Non-Major Governmental Funds	Total
Transfers out			
General Fund	\$	\$ 70,200	\$ 70,200
Non-Major Governmental Funds	61,702		61,702
Total	<u>\$ 61,702</u>	<u>\$ 70,200</u>	<u>\$ 131,902</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 14 – 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, 2019

NOTE 15 – 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 16 – 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, 2019

NOTE 16 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Aggregate Amounts. At June 30, 2019, the District reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

	Pension	OPEB
Net assets	\$	\$ (16,942)
Net liability	6,655,261	24,976
Deferred outflows of resources	1,196,657	69,921
Deferred inflows of resources	1,317,992	53,802
Expense	(11,776)	26,353
Contributions	562,592	31,199

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, 2019

NOTE 16 – 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 \$100 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 11.80 percent (11.64 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 11.80 percent (11.18 percent for retirement, 0.46 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, 2019 were as follows:

	<u>Contributions</u>
Pension	\$ 562,592
Health Insurance Premium	23,148
Long-Term Disability	8,051

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 10.53 percent (10.41 for retirement, 0.06 percent for health insurance premium benefit, and 0.06 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, 2019

NOTE 16 – 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, 2018. 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, 2017, to the measurement date of June 30, 2018. The total liability as of June 30, 2018 reflects changes in actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2016, including decreasing the discount rate from 8.0 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates. 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, 2018.

At June 30, 2019, the District reported the following amounts for its proportionate share of the ASRS plans net assets/liability. In addition, at June 30, 2018, the District's percentage proportion for each plan and the related change from its proportion measured as of June 30, 2017 was:

	Net (Assets) Liability	District % Proportion	Increase (Decrease)
Pension	\$ 6,655,261	0.048	(0.005)
Health Insurance Premium	(16,942)	0.047	(0.005)
Long-Term Disability	24,976	0.048	(0.004)

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, 2019, the District recognized pension and OPEB expense as follows:

	Expense
Pension	\$ (11,776)
Health Insurance Premium	17,521
Long-Term Disability	8,832

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 – 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	\$ 183,347	\$	\$ 639
Changes of assumptions or other inputs	176,110	32,673	5,410
Changes in proportion and differences between contributions and proportionate share of contributions	274,608		
Contributions subsequent to the measurement date	562,592	23,148	8,051
Total	<u>\$ 1,196,657</u>	<u>\$ 55,821</u>	<u>\$ 14,100</u>

Deferred Inflows of Resources			
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$ 36,689	\$ 15,637	\$
Changes of assumptions or other inputs	590,080		
Net difference between projected and actual earnings on pension investments	160,043	33,845	2,419
Changes in proportion and differences between contributions and proportionate share of contributions	531,180	317	1,584
Total	<u>\$ 1,317,992</u>	<u>\$ 49,799</u>	<u>\$ 4,003</u>

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 – 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, 2020. 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
2020	\$ 1,131	\$ (6,632)	\$ (147)
2021	(370,511)	(6,631)	(146)
2022	(242,774)	(6,631)	(147)
2023	(71,773)	582	501
2024		2,186	620
Thereafter			1,365

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, 2017	June 30, 2017
Actuarial roll forward date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.5%	7.5%
Projected salary increases	2.7-7.2%	Not applicable
Inflation	2.3%	2.3%
Permanent base increases	Included	Not applicable
Mortality rates	2017 SRA Scale U-MP	Health Ins: 2017 SRA Scale U-MP, LTD: 2012 GLDT
Healthcare cost trend rate	Not applicable	Not applicable

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. 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, 2017, actuarial valuation.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, excluding any expected inflation.

On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018. The target allocation and best estimates of geometric real rates of return for each major asset class for all ASRS plans are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	50%	5.50%
Fixed income	30	3.83
Real estate	20	5.85
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the ASRS total pension and OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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, 2019

NOTE 16 – 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 7.5 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		
	Current		
	1% Decrease	Discount Rate	1% Increase
Rate	6.5%	7.5%	8.5%
Pension	\$ 9,487,227	\$ 6,655,261	\$ 4,289,198
Health Insurance Premium	60,030	(16,942)	(82,508)
Long-Term Disability	28,304	24,976	21,746

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.

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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, 2019

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 421,446	\$ 421,446
Property taxes			2,366,914	2,366,914
State aid and grants			4,886,825	4,886,825
Total revenues			<u>7,675,185</u>	<u>7,675,185</u>
Expenditures:				
Current -				
Instruction	4,986,265	5,341,525	5,322,519	19,006
Support services - students and staff	501,930	537,699	567,436	(29,737)
Support services - administration	741,731	796,134	789,717	6,417
Operation and maintenance of plant services	803,095	929,233	877,664	51,569
Student transportation services	486,723	516,595	503,123	13,472
Operation of non-instructional services	6,000	5,360	55,393	(50,033)
Total expenditures	<u>7,525,744</u>	<u>8,126,546</u>	<u>8,115,852</u>	<u>10,694</u>
Excess (deficiency) of revenues over expenditures	<u>(7,525,744)</u>	<u>(8,126,546)</u>	<u>(440,667)</u>	<u>7,685,879</u>
Other financing sources (uses):				
Transfers out			(70,200)	(70,200)
Total other financing sources (uses)			<u>(70,200)</u>	<u>(70,200)</u>
Changes in fund balances	<u>(7,525,744)</u>	<u>(8,126,546)</u>	<u>(510,867)</u>	<u>7,615,679</u>
Fund balances (deficits), beginning of year			(280,461)	(280,461)
Fund balances (deficits), end of year	<u>\$ (7,525,744)</u>	<u>\$ (8,126,546)</u>	<u>\$ (791,328)</u>	<u>\$ 7,335,218</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, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Other local	\$	\$	\$ 10,494	\$ 10,494
State aid and grants			367,152	367,152
Total revenues			<u>377,646</u>	<u>377,646</u>
Expenditures:				
Current -				
Instruction	893,099	875,738	243,338	632,400
Support services - students and staff	9,475	14,962	17,075	(2,113)
Total expenditures	<u>902,574</u>	<u>890,700</u>	<u>260,413</u>	<u>630,287</u>
Changes in fund balances	<u>(902,574)</u>	<u>(890,700)</u>	<u>117,233</u>	<u>1,007,933</u>
Fund balances, beginning of year			480,605	480,605
Fund balances (deficits), end of year	<u>\$ (902,574)</u>	<u>\$ (890,700)</u>	<u>\$ 597,838</u>	<u>\$ 1,488,538</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
OTHER STATE PROJECTS
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Other local	\$	\$	\$ 1,013	\$ 1,013
State aid and grants			223,705	223,705
Total revenues			<u>224,718</u>	<u>224,718</u>
Expenditures:				
Current -				
Instruction	250,000	5,000	9,981	(4,981)
Operation of non-instructional services		185,000	217,272	(32,272)
Capital outlay		300,000	327,445	(27,445)
Total expenditures	<u>250,000</u>	<u>490,000</u>	<u>554,698</u>	<u>(64,698)</u>
Changes in fund balances	<u>(250,000)</u>	<u>(490,000)</u>	<u>(329,980)</u>	<u>160,020</u>
Fund balances, beginning of year				
Fund balances (deficits), end of year	<u>\$ (250,000)</u>	<u>\$ (490,000)</u>	<u>\$ (329,980)</u>	<u>\$ 160,020</u>

See accompanying notes to this schedule.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2018	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%	0.05%
District's proportionate share of the net pension (assets) liability	\$ 6,655,261	\$ 8,178,447	\$ 7,746,068	\$ 7,924,235	\$ 6,677,835
District's covered payroll	\$ 4,755,367	\$ 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	139.95%	159.06%	179.69%	169.45%	164.88%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

SCHEDULE OF PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 562,592	\$ 518,335	\$ 554,293	\$ 467,723	\$ 509,269
Contributions in relation to the actuarially determined contribution	<u>562,592</u>	<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>	<u>\$</u>
District's covered payroll	\$ 5,032,129	\$ 4,755,367	\$ 5,141,865	\$ 4,310,811	\$ 4,676,483
Contributions as a percentage of covered payroll	11.18%	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 NO. 81
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM - HEALTH INSURANCE PREMIUM
LAST TWO FISCAL YEARS

	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2018	June 30, 2017
District's proportion of the net OPEB (assets) liability	0.05%	0.05%
District's proportionate share of the net OPEB (assets) liability	\$ (16,942)	\$ (28,222)
District's covered payroll	\$ 4,755,367	\$ 5,141,865
District's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	(0.36)%	(0.55)%
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%

SCHEDULE OF OPEB CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM - HEALTH INSURANCE PREMIUM
LAST TWO FISCAL YEARS

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 23,148	\$ 20,924
Contributions in relation to the actuarially determined contribution	<u>23,148</u>	<u>20,924</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 5,032,129	\$ 4,755,367
Contributions as a percentage of covered payroll	0.46%	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 NO. 81
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM - LONG-TERM DISABILITY
LAST TWO FISCAL YEARS

	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2018	June 30, 2017
District's proportion of the net OPEB (assets) liability	0.05%	0.05%
District's proportionate share of the net OPEB (assets) liability	\$ 24,976	\$ 18,881
District's covered payroll	\$ 4,755,367	\$ 5,141,865
District's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	0.53%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%

SCHEDULE OF OPEB CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM - LONG-TERM DISABILITY
LAST TWO FISCAL YEARS

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 8,051	\$ 7,609
Contributions in relation to the actuarially determined contribution	<u>8,051</u>	<u>7,609</u>
Contribution deficiency (excess)	<u><u>\$</u></u>	<u><u>\$</u></u>
District's covered payroll	\$ 5,032,129	\$ 4,755,367
Contributions as a percentage of covered payroll	0.16%	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, 2019

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.

	<u>Total Expenditures</u>	<u>Fund Balances End of Year</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 8,381,983	\$ (748,480)
Activity budgeted as special revenue funds	(240,617)	(42,848)
Activity budgeted as capital projects funds	<u>(25,514)</u>	<u> </u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 8,115,852</u>	<u>\$ (791,328)</u>

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, 2017, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. 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, 2017, actuarial valuation.

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, 2019

	Instructional Improvement		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 1,490	\$ 1,490
State aid and grants		32,892	32,892
Federal aid, grants and reimbursements			
Total revenues		<u>34,382</u>	<u>34,382</u>
Expenditures:			
Current -			
Instruction	155,000	49,161	105,839
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>155,000</u>	<u>49,161</u>	<u>105,839</u>
Excess (deficiency) of revenues over expenditures	<u>(155,000)</u>	<u>(14,779)</u>	<u>140,221</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(155,000)</u>	<u>(14,779)</u>	<u>140,221</u>
Fund balances (deficits), beginning of year		116,738	116,738
Fund balances (deficits), end of year	<u>\$ (155,000)</u>	<u>\$ 101,959</u>	<u>\$ 256,959</u>

County, City, and Town Grants			Title I Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				258,282	258,282
				258,282	258,282
2,000	1,593	407	121,710	118,540	3,170
2,000	845	1,155	100,500	84,440	16,060
			50,000	48,184	1,816
6,018	4,895	1,123			
			5,000	1,590	3,410
10,018	7,333	2,685	277,210	252,754	24,456
(10,018)	(7,333)	2,685	(277,210)	5,528	282,738
				(7,959)	(7,959)
				(7,959)	(7,959)
(10,018)	(7,333)	2,685	(277,210)	(2,431)	274,779
	11,211	11,211		(30,024)	(30,024)
\$ (10,018)	\$ 3,878	\$ 13,896	\$ (277,210)	\$ (32,455)	\$ 244,755

(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, 2019

	Professional Development and Technology Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		61,907	61,907
Total revenues		<u>61,907</u>	<u>61,907</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff	35,886	35,366	520
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>35,886</u>	<u>35,366</u>	<u>520</u>
Excess (deficiency) of revenues over expenditures	<u>(35,886)</u>	<u>26,541</u>	<u>62,427</u>
Other financing sources (uses):			
Transfers in			
Transfers out		(521)	(521)
Total other financing sources (uses)		<u>(521)</u>	<u>(521)</u>
Changes in fund balances	<u>(35,886)</u>	<u>26,020</u>	<u>61,906</u>
Fund balances (deficits), beginning of year		(29,361)	(29,361)
Fund balances (deficits), end of year	<u>\$ (35,886)</u>	<u>\$ (3,341)</u>	<u>\$ 32,545</u>

Title IV Grants			Limited English & Immigrant Students		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	125,263	125,263		17,135	17,135
	125,263	125,263		17,135	17,135
109,346	108,103	1,243	4,333	3,720	613
23,000	22,368	632	2,000	1,848	152
5,000	4,458	542			
137,346	134,929	2,417	6,333	5,568	765
(137,346)	(9,666)	127,680	(6,333)	11,567	17,900
	(2,420)	(2,420)			
	(2,420)	(2,420)			
(137,346)	(12,086)	125,260	(6,333)	11,567	17,900
	(17,584)	(17,584)		(11,567)	(11,567)
\$ (137,346)	\$ (29,670)	\$ 107,676	\$ (6,333)	\$	\$ 6,333

(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, 2019

	Special Education Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		225,256	225,256
Total revenues		<u>225,256</u>	<u>225,256</u>
Expenditures:			
Current -			
Instruction	226,238	218,172	8,066
Support services - students and staff	10,000	7,181	2,819
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay	5,000	3,590	1,410
Total expenditures	<u>241,238</u>	<u>228,943</u>	<u>12,295</u>
Excess (deficiency) of revenues over expenditures	<u>(241,238)</u>	<u>(3,687)</u>	<u>237,551</u>
Other financing sources (uses):			
Transfers in			
Transfers out		(7,403)	(7,403)
Total other financing sources (uses)		<u>(7,403)</u>	<u>(7,403)</u>
Changes in fund balances	<u>(241,238)</u>	<u>(11,090)</u>	<u>230,148</u>
Fund balances (deficits), beginning of year		(10,178)	(10,178)
Fund balances (deficits), end of year	<u>\$ (241,238)</u>	<u>\$ (21,268)</u>	<u>\$ 219,970</u>

Medicaid Reimbursement			E-Rate		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 122	\$ 122
	63,074	63,074		27,012	27,012
	63,074	63,074		27,134	27,134
3,850	3,987	(137)			
32,150	33,084	(934)			
29,000	29,121	(121)	45,000	33,078	11,922
3,000	3,116	(116)			
68,000	69,308	(1,308)	45,000	33,078	11,922
(68,000)	(6,234)	61,766	(45,000)	(5,944)	39,056
(68,000)	(6,234)	61,766	(45,000)	(5,944)	39,056
	10,696	10,696		5,944	5,944
\$ (68,000)	\$ 4,462	\$ 72,462	\$ (45,000)	\$	\$ 45,000

(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, 2019

	Other Federal Projects		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		486,102	486,102
Total revenues		<u>486,102</u>	<u>486,102</u>
Expenditures:			
Current -			
Instruction	438,340	423,848	14,492
Support services - students and staff	27,500	26,759	741
Support services - administration	12,000	11,942	58
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services	95,000	89,962	5,038
Capital outlay	5,000	3,458	1,542
Total expenditures	<u>577,840</u>	<u>555,969</u>	<u>21,871</u>
Excess (deficiency) of revenues over expenditures	<u>(577,840)</u>	<u>(69,867)</u>	<u>507,973</u>
Other financing sources (uses):			
Transfers in			
Transfers out		(5,280)	(5,280)
Total other financing sources (uses)		<u>(5,280)</u>	<u>(5,280)</u>
Changes in fund balances	<u>(577,840)</u>	<u>(75,147)</u>	<u>502,693</u>
Fund balances (deficits), beginning of year		(882)	(882)
Fund balances (deficits), end of year	<u>\$ (577,840)</u>	<u>\$ (76,029)</u>	<u>\$ 501,811</u>

Gifted			Environmental Special Plate		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	2,279	2,279			
	2,279	2,279			
2,279	2,279		788		788
2,279	2,279		788		788
(2,279)		2,279	(788)		788
(2,279)		2,279	(788)		788
\$ (2,279)	\$	\$ 2,279	\$ (788)	\$	\$ 788

(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, 2019

	Failing Schools Tutoring Grant		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants		9,170	9,170
Federal aid, grants and reimbursements			
Total revenues		<u>9,170</u>	<u>9,170</u>
Expenditures:			
Current -			
Instruction			
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			
Excess (deficiency) of revenues over expenditures		<u>9,170</u>	<u>9,170</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances		<u>9,170</u>	<u>9,170</u>
Fund balances (deficits), beginning of year		(9,170)	(9,170)
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

School Plant			Food Service		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 25,262	\$ 25,262	\$	\$ 85,899	\$ 85,899
				353,341	353,341
	<u>25,262</u>	<u>25,262</u>		<u>439,240</u>	<u>439,240</u>
22,000	14,820	7,180	450,000	362,642	87,358
<u>22,000</u>	<u>14,820</u>	<u>7,180</u>	<u>450,000</u>	<u>362,642</u>	<u>87,358</u>
<u>(22,000)</u>	<u>10,442</u>	<u>32,442</u>	<u>(450,000)</u>	<u>76,598</u>	<u>526,598</u>
				(38,119)	(38,119)
				<u>(38,119)</u>	<u>(38,119)</u>
<u>(22,000)</u>	<u>10,442</u>	<u>32,442</u>	<u>(450,000)</u>	<u>38,479</u>	<u>488,479</u>
	5,528	5,528		66,372	66,372
<u>\$ (22,000)</u>	<u>\$ 15,970</u>	<u>\$ 37,970</u>	<u>\$ (450,000)</u>	<u>\$ 104,851</u>	<u>\$ 554,851</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, 2019

	Civic Center		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 13,282	\$ 13,282
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>13,282</u>	<u>13,282</u>
Expenditures:			
Current -			
Instruction	2,000	795	1,205
Support services - students and staff	10,000	2,584	7,416
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>12,000</u>	<u>3,379</u>	<u>8,621</u>
Excess (deficiency) of revenues over expenditures	<u>(12,000)</u>	<u>9,903</u>	<u>21,903</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(12,000)</u>	<u>9,903</u>	<u>21,903</u>
Fund balances (deficits), beginning of year		1,183	1,183
Fund balances (deficits), end of year	<u>\$ (12,000)</u>	<u>\$ 11,086</u>	<u>\$ 23,086</u>

Community School			Auxiliary Operations		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 163,720	\$ 163,720	\$	\$ 16,814	\$ 16,814
	<u>163,720</u>	<u>163,720</u>		<u>16,814</u>	<u>16,814</u>
10,000	865	9,135	18,000	10,063	7,937
170,000	124,072	45,928	7,000	3,464	3,536
<u>180,000</u>	<u>124,937</u>	<u>55,063</u>	<u>25,000</u>	<u>13,527</u>	<u>11,473</u>
<u>(180,000)</u>	<u>38,783</u>	<u>218,783</u>	<u>(25,000)</u>	<u>3,287</u>	<u>28,287</u>
<u>(180,000)</u>	<u>38,783</u>	<u>218,783</u>	<u>(25,000)</u>	<u>3,287</u>	<u>28,287</u>
	(38,692)	(38,692)		12,511	12,511
<u>\$ (180,000)</u>	<u>\$ 91</u>	<u>\$ 180,091</u>	<u>\$ (25,000)</u>	<u>\$ 15,798</u>	<u>\$ 40,798</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, 2019

	Extracurricular Activities Fees Tax Credit		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 191,124	\$ 191,124
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>191,124</u>	<u>191,124</u>
Expenditures:			
Current -			
Instruction	300,000	172,599	127,401
Support services - students and staff	15,000	2,906	12,094
Support services - administration			
Operation and maintenance of plant services			
Student transportation services	15,000	308	14,692
Operation of non-instructional services			
Capital outlay	15,000	642	14,358
Total expenditures	<u>345,000</u>	<u>176,455</u>	<u>168,545</u>
Excess (deficiency) of revenues over expenditures	<u>(345,000)</u>	<u>14,669</u>	<u>359,669</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(345,000)</u>	<u>14,669</u>	<u>359,669</u>
Fund balances (deficits), beginning of year		151,023	151,023
Fund balances (deficits), end of year	<u>\$ (345,000)</u>	<u>\$ 165,692</u>	<u>\$ 510,692</u>

Gifts and Donations			Fingerprint		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 16,865	\$ 16,865	\$	\$ 1,177	\$ 1,177
	16,865	16,865		1,177	1,177
10,000	8,665	1,335			
4,000	2,746	1,254			
5,000	825	4,175	2,000	1,177	823
1,000	583	417			
10,000	9,248	752			
30,000	22,067	7,933	2,000	1,177	823
(30,000)	(5,202)	24,798	(2,000)		2,000
(30,000)	(5,202)	24,798	(2,000)		2,000
	11,820	11,820			
\$ (30,000)	\$ 6,618	\$ 36,618	\$ (2,000)	\$	\$ 2,000

(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, 2019

	Textbooks		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 433	\$ 433
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>433</u>	<u>433</u>
Expenditures:			
Current -			
Instruction	1,000	666	334
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>1,000</u>	<u>666</u>	<u>334</u>
Excess (deficiency) of revenues over expenditures	<u>(1,000)</u>	<u>(233)</u>	<u>767</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(1,000)</u>	<u>(233)</u>	<u>767</u>
Fund balances (deficits), beginning of year		997	997
Fund balances (deficits), end of year	<u>\$ (1,000)</u>	<u>\$ 764</u>	<u>\$ 1,764</u>

Indirect Costs			Grants and Gifts to Teachers		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 5,440	\$ 5,440
				5,440	5,440
1,000	744	256	5,000	2,300	2,700
2,000	1,107	893	2,000	868	1,132
16,000	14,995	1,005			
45,000	44,000	1,000			
1,000	856	144			
			7,000	5,589	1,411
65,000	61,702	3,298	14,000	8,757	5,243
(65,000)	(61,702)	3,298	(14,000)	(3,317)	10,683
	61,702	61,702			
	61,702	61,702			
(65,000)		65,000	(14,000)	(3,317)	10,683
				6,176	6,176
\$ (65,000)	\$	\$ 65,000	\$ (14,000)	\$ 2,859	\$ 16,859

(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, 2019

	Intergovernmental Agreements		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 60,371	\$ 60,371
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>60,371</u>	<u>60,371</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff		20,416	(20,416)
Support services - administration		38	(38)
Operation and maintenance of plant services		3,920	(3,920)
Student transportation services	50,000	34,819	15,181
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>50,000</u>	<u>59,193</u>	<u>(9,193)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>1,178</u>	<u>51,178</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(50,000)</u>	<u>1,178</u>	<u>51,178</u>
Fund balances (deficits), beginning of year		(1,178)	(1,178)
Fund balances (deficits), end of year	<u>\$ (50,000)</u>	<u>\$</u>	<u>\$ 50,000</u>

Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 581,999	\$ 581,999
	44,341	44,341
	1,617,372	1,617,372
	2,243,712	2,243,712
1,404,755	1,119,834	284,921
238,015	214,855	23,160
124,150	115,548	8,602
120,000	110,702	9,298
91,000	53,919	37,081
728,018	585,035	142,983
47,000	24,117	22,883
2,752,938	2,224,010	528,928
(2,752,938)	19,702	2,772,640
	61,702	61,702
	(61,702)	(61,702)
(2,752,938)	19,702	2,772,640
	251,563	251,563
\$ (2,752,938)	\$ 271,265	\$ 3,024,203

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, 2019

	Debt Service		Variance -
	Budget	Actual	Positive
			(Negative)
Revenues:			
Other local	\$	\$ 2,644	\$ 2,644
Property taxes		201,018	201,018
Total revenues		<u>203,662</u>	<u>203,662</u>
Expenditures:			
Debt service -			
Principal retirement	180,000	180,000	
Interest and fiscal charges	<u>180,000</u>	<u>16,419</u>	<u>163,581</u>
Total expenditures	<u>360,000</u>	<u>196,419</u>	<u>163,581</u>
Changes in fund balances	<u>(360,000)</u>	<u>7,243</u>	<u>367,243</u>
Fund balances, beginning of year		8,290	8,290
Fund balances (deficits), end of year	<u>\$ (360,000)</u>	<u>\$ 15,533</u>	<u>\$ 375,533</u>

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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, 2019

	Insurance Proceeds		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 26	\$ 26
Property taxes			
State aid and grants			
Total revenues		26	26
Expenditures:			
Current -			
Operation and maintenance of plant services	2,000	9,637	(7,637)
Student transportation services	2,000	2,213	(213)
Capital outlay	9,664	13,664	(4,000)
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	13,664	25,514	(11,850)
Excess (deficiency) of revenues over expenditures	(13,664)	(25,488)	(11,824)
Other financing sources (uses):			
Transfers in			
Proceeds from sale of capital assets		25,488	25,488
Total other financing sources (uses)		25,488	25,488
Changes in fund balances	(13,664)		13,664
Fund balances, beginning of year			
Fund balances (deficits), end of year	\$ (13,664)	\$	\$ 13,664

Unrestricted Capital Outlay			Adjacent Ways		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 1,696 34,480	\$ 1,696 34,480	\$	\$ 412 19	\$ 412 19
	<u>36,176</u>	<u>36,176</u>		<u>431</u>	<u>431</u>
329,624	257,676	71,948	20,391		20,391
<u>329,624</u>	<u>257,676</u>	<u>71,948</u>	<u>20,391</u>		<u>20,391</u>
<u>(329,624)</u>	<u>(221,500)</u>	<u>108,124</u>	<u>(20,391)</u>	<u>431</u>	<u>20,822</u>
<u>(329,624)</u>	<u>(221,500)</u>	<u>108,124</u>	<u>(20,391)</u>	<u>431</u>	<u>20,822</u>
	132,910	132,910		20,106	20,106
<u>\$ (329,624)</u>	<u>\$ (88,590)</u>	<u>\$ 241,034</u>	<u>\$ (20,391)</u>	<u>\$ 20,537</u>	<u>\$ 40,928</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, 2019

	Gifts and Donations - Capital		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
Property taxes			
State aid and grants			
Total revenues			
Expenditures:			
Current -			
Operation and maintenance of plant services			
Student transportation services			
Capital outlay	10,413	3,086	7,327
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>10,413</u>	<u>3,086</u>	<u>7,327</u>
Excess (deficiency) of revenues over expenditures	<u>(10,413)</u>	<u>(3,086)</u>	<u>7,327</u>
Other financing sources (uses):			
Transfers in			
Proceeds from sale of capital assets			
Total other financing sources (uses)			
Changes in fund balances	<u>(10,413)</u>	<u>(3,086)</u>	<u>7,327</u>
Fund balances, beginning of year		10,311	10,311
Fund balances (deficits), end of year	<u>\$ (10,413)</u>	<u>\$ 7,225</u>	<u>\$ 17,638</u>

Energy and Water Savings			Building Renewal Grant		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				15,293	15,293
				15,293	15,293
724	111	613	225,617	150,306	75,311
55,470	55,470				
14,678	14,678				
70,872	70,259	613	225,617	150,306	75,311
(70,872)	(70,259)	613	(225,617)	(135,013)	90,604
	70,200	70,200			
	70,200	70,200			
(70,872)	(59)	70,813	(225,617)	(135,013)	90,604
	758	758			
\$ (70,872)	\$ 699	\$ 71,571	\$ (225,617)	\$ (135,013)	\$ 90,604

(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, 2019

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 2,134	\$ 2,134
Property taxes		34,499	34,499
State aid and grants		15,293	15,293
Total revenues		<u>51,926</u>	<u>51,926</u>
Expenditures:			
Current -			
Operation and maintenance of plant services	2,000	9,637	(7,637)
Student transportation services	2,000	2,213	(213)
Capital outlay	596,433	424,843	171,590
Debt service -			
Principal retirement	55,470	55,470	
Interest and fiscal charges	14,678	14,678	
Total expenditures	<u>670,581</u>	<u>506,841</u>	<u>163,740</u>
Excess (deficiency) of revenues over expenditures	<u>(670,581)</u>	<u>(454,915)</u>	<u>215,666</u>
Other financing sources (uses):			
Transfers in		70,200	70,200
Proceeds from sale of capital assets		25,488	25,488
Total other financing sources (uses)		<u>95,688</u>	<u>95,688</u>
Changes in fund balances	<u>(670,581)</u>	<u>(359,227)</u>	<u>311,354</u>
Fund balances, beginning of year		164,085	164,085
Fund balances (deficits), end of year	<u>\$ (670,581)</u>	<u>\$ (195,142)</u>	<u>\$ 475,439</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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nadaburg Unified School District No. 81, as of and for the year ended June 30, 2019, 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 27, 2020.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS-2019-001 that we consider 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. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

March 27, 2020

**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, 2019. 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 the requirements of 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

Nadaburg Unified School District No. 81's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Nadaburg Unified School District No. 81's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

Nadaburg Unified School District No. 81 is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Nadaburg Unified School District No. 81's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on it.

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, 2019, 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 27, 2020, which contained unmodified opinions on those basic 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. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
March 27, 2020

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF AGRICULTURE							
SCHOOL BREAKFAST PROGRAM	10.553	ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$94,748	\$94,748	CHILD NUTRITION CLUSTER	\$353,341
NATIONAL SCHOOL LUNCH PROGRAM	10.555	ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$225,521	\$254,079	CHILD NUTRITION CLUSTER	\$353,341
NATIONAL SCHOOL LUNCH PROGRAM	10.555	ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$28,558	\$254,079	CHILD NUTRITION CLUSTER	\$353,341
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$4,514	\$4,514	CHILD NUTRITION CLUSTER	\$353,341
TOTAL DEPARTMENT OF AGRICULTURE				<u>\$353,341</u>			
DEPARTMENT OF EDUCATION							
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	ARIZONA DEPARTMENT OF EDUCATION	S010A180003	\$260,713	\$260,713	N/A	\$0
SPECIAL EDUCATION_ GRANTS TO STATES	84.027	ARIZONA DEPARTMENT OF EDUCATION	H027A180007	\$227,963	\$227,963	SPECIAL EDUCATION CLUSTER (IDEA)	\$236,346
SPECIAL EDUCATION_ PRESCHOOL GRANTS	84.173	ARIZONA DEPARTMENT OF EDUCATION	H173A180003	\$8,383	\$8,383	SPECIAL EDUCATION CLUSTER (IDEA)	\$236,346
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	ARIZONA DEPARTMENT OF EDUCATION	S287C180003	\$120,003	\$120,003	N/A	\$0
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	ARIZONA DEPARTMENT OF EDUCATION	S365A180003	\$5,568	\$5,568	N/A	\$0
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	ARIZONA DEPARTMENT OF EDUCATION	S367A180049	\$35,887	\$35,887	N/A	\$0
TEACHER INCENTIVE FUND	84.374	MARICOPA COUNTY	N/A	\$386,001	\$386,001	N/A	\$0
PRESCHOOL DEVELOPMENT GRANTS	84.419	ARIZONA DEPARTMENT OF EDUCATION	S419A150009	\$92,840	\$92,840	N/A	\$0
STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	84.424	ARIZONA DEPARTMENT OF EDUCATION	S424A170003	\$17,346	\$17,346	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION				<u>\$1,154,704</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
HEAD START	93.600	MARICOPA COUNTY	N/A	\$82,408	\$82,408	N/A	\$0
MEDICAL ASSISTANCE PROGRAM	93.778	PUBLIC CONSULTING GROUP, INC.	N/A	\$14,210	\$14,210	MEDICAID CLUSTER	\$14,210
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$96,618</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u><u>\$1,604,663</u></u>			

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

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, 2019. 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. 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.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Catalog of Federal Domestic Assistance Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 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.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: Yes
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: Yes
- Material weakness(es) identified: No

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

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster (IDEA)
10.553, 10.555, 10.559	Child Nutrition Cluster
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: No

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

Findings and Questioned Costs Related to Federal Awards: Yes

Summary Schedule of Prior Audit Findings required to be reported: Yes

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

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

Finding Number: FS-2019-001

Repeat Finding: Yes – FS-2018-001

Type of Finding: Significant Deficiency

Description: Internal Controls Over Cash

CRITERIA

District management is responsible for establishing and maintaining internal controls that include ensuring the cash balances reported in the District's accounting records reconcile to the cash balances reported by the County Treasurer. According to Uniform System of Financial Records (USFR) guidelines, the District's records of cash balances must be reconciled to those of the County Treasurer at least monthly and performed timely to ensure funds on deposit with the County Treasurer are accurate and the related revenue and expenditure transactions, as well as cash transactions recorded via adjusting journal entry are properly recorded. Furthermore, the District is responsible for ensuring any differences that result from reconciliations with the County Treasurer's records are researched and resolved in a timely manner.

CONDITION

The District's cash reconciliation process was not designed effectively to remediate reconciling items on a timely basis. Cash reconciliations were not completed timely, and reconciling items were not resolved timely.

CAUSE

The District did not have a defined process to ensure that cash reconciliations were completed timely and that reconciling items were identified and resolved in a timely manner.

EFFECT

The District's internal controls over the cash reconciliation process were not adequate to ensure that a misstatement would be prevented and/or detected in a timely manner.

CONTEXT

The District did not resolve reconciling items on the reconciliation with the County Treasurer in a timely manner. The sample was not intended to be, and was not, a statistically valid sample.

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, 2019**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding Number: 2019-001

Repeat Finding: No

Program Name/CFDA Title: Child Nutrition Cluster

CFDA Numbers: 10.553, 10.555, 10.559

Federal Agency: U.S. Department of Agriculture

Federal Award Number: 7AZ300AZ3

Pass-Through Agency: Arizona Department of Education

Questioned Costs: N/A

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Procurement, Suspension and Debarment

CRITERIA

Non-Federal entities are prohibited from contracting with or making sub awards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction that are expected to equal or exceed \$25,000 or meet certain criteria as specified in 2 CFR section 180.220.

CONDITION

Verification of suspension and debarment was not performed for all vendors with whom the District spent at least \$25,000 using federal grant monies.

CAUSE

Documentation was not maintained due to turnover in the purchasing position.

EFFECT

The District was not in compliance with the requirements set forth by the federal government. However, it was determined that the vendor was not suspended or debarred.

CONTEXT

For one of one vendors reviewed in the Child Nutrition Cluster with purchases in excess of \$25,000, the District did not verify if the vendor was suspended or debarred. The sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

The District should train all new procurement employees on suspension and debarment procedures. In addition, the District should ensure that any suspension and debarment checks are documented, and that such documentation be maintained.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.



Nadaburg Unified School District No. 81

Quality Education: Every Student! Every Day!

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www.nadaburgsd.org

March 27, 2020

To Whom It May Concern:

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,

Kerre Laabs
Director, HR & Business Services

NADABURG UNIFIED SCHOOL DISTRICT NO. 81
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019

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

Finding Number: FS-2019-001

Contact Person: Kerre Laabs

Anticipated Completion Date: March 31, 2020

Planned Corrective Action: The District will 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. The District will investigate and resolve reconciling items on a monthly basis to ensure the account records are accurate. The District hired a consultant in February 2020 to review outstanding reconciling items with the County Treasurer. The reconciliation was completed, and final adjustments to the District's records were made in early March 2020.

Findings and Questioned Costs Related to Federal Awards

Finding Number: 2019-001

Program Name/CFDA Title: Child Nutrition Cluster

CFDA Numbers: 10.553, 10.555, 10.559

Contact Person: Kerre Laabs

Anticipated Completion Date: November 1, 2019

Planned Corrective Action: The District Business Manager will train all new procurement employees on suspension and debarment procedures and will ensure that any suspension and debarment checks are documented and that such documentation be maintained.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

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

Finding Numbers: FS-2018-001, FS-2017-001

Status: Partially corrected. See current year finding FS-2019-001.

Planned Corrective Action: The District will 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. The District will investigate and resolve reconciling items on a monthly basis to ensure the account records are accurate. The District hired a consultant in February 2020 to review outstanding reconciling items with the County Treasurer. The reconciliation was completed, and final adjustments to the District's records were made in early March 2020.

Reason for reoccurrence: The District needed to perform reconciliations for multiple years of transactions, which required a substantial amount of time. Due to limited staff resources, the prior year reconciliations took longer than originally anticipated. The District did focus on reconciling current year transactions, but these reconciliations did not occur until later in the year.

Finding Number: FS-2018-002

Status: Fully corrected.

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