
NOGALES UNIFIED SCHOOL DISTRICT NO. 1

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



NOGALES UNIFIED SCHOOL DISTRICT NO. 1

NOGALES, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Issued by:
Business and Finance Department

NOGALES UNIFIED SCHOOL DISTRICT NO. 1

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INTRODUCTORY SECTION

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Nogales Unified School District No. 1



January 29, 2019

Citizens and Governing Board
Nogales Unified School District No. 1
310 W. Plum Street
Nogales, AZ 85621

State law mandates that school districts required to undergo an annual single audit publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Nogales Unified School District No. 1 (District) for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

310 W. PLUM STREET * NOGALES * ARIZONA * 85621
(520) 287-0800

The independent audit of the financial statements of the District was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

DISTRICT PROFILE 2017-18

Overview:

Nogales Unified School District (NUSD) is one of six public school districts located within Santa Cruz County, Arizona. It provides a program of public education from special education pre-school through grade 12, and as an entity is the largest single employer within the city limits of Nogales.

NUSD has ten campuses: six elementary schools, two middle schools, a comprehensive high school, and an alternative high school. The District as a whole educated 5,644 students on the 100th day in 2018 from pre-kinder through high school, with projected enrollment of 5,521 for fiscal year 2019 – a decline of more than 100 students. The migration of students in NUSD is very high from school-to-school and from families entering or returning to Mexico, as well as from families leaving the area due to the high unemployment rate. The students who qualify as homeless based on the determination that the family is “doubling up” and living with another family has also increased about 15 percent over the past three years.

For 2017-2018 the District employed 317 certified staff, 23 administrators, and 217 classified personnel. That reflects no additional personnel over the previous year. Two of the elementary principals (Lincoln and Challenger Elementary Schools) are new this year.

School Board:

The District's 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 budgetary controls.

For 2017-18 the Board President position was filled by President Barbara Mendoza, Clerk Santiny Orozco, and members Manuel Ruiz, Greg Lucero, and Dr. Marcelino Varona, Jr.

Fiscal Reporting:

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

The annual expenditure budget serves as the foundation for the District's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual expenditure budget approved by the District's Governing Board

The expenditure budget is prepared by fund for all Governmental Funds, and includes function and object-code detail for the General Fund and some Special Revenue and Capital Projects Funds. The legal level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the individual fund level for all funds. Funds that are not required to legally adopt a budget may have over-expenditures of budgeted funds. The budget for these funds is simply an estimate and does not prevent the District from exceeding the budget as long as the necessary revenue is earned. The District is not required to prepare an annual budget of revenue; therefore, a deficit budgeted fund balance may be presented. However, this does not affect the District's ability to expend monies.

Hiring Practices:

As required by state mandates, NUSD makes every effort to employ appropriately certified teachers. There have been numerous changes to the requirements for teacher certification, including expanding the years the certificate covers. Also, the ability to hire Emergency Certified teachers who then have three years to complete their certification has also been reinstated.

Student profile:

More than 99 percent of all students entering NUSD list Hispanic or another minority as their ethnicity, and the vast majority are not fluent English speakers when entering the system, whether that is at the kindergarten level or later along in their educational years. The majority of students come from high poverty homes and with a double-digit unemployment rate in Santa Cruz County, many rely on social services to meet their basic needs. NUSD has an almost equal number of male and female students ranging in age from three years old (exceptional pre-school) to 21 years old. It is not unusual to have students who are older than traditional students in a particular grade due to the fact that many enter without the ability to speak English and therefore are placed in a lower grade to help in mastering the state standards. While some students who come from Mexico may have had an excellent education there, a significant portion did not go to school in Mexico beyond the grammar school years. In addition to those from Mexico who have established residency in the District, NUSD has about four students from Mexico who have student visas and who are paying tuition to attend a NUSD school, although this number fluctuates with changes, up or down, tied to the fluctuation in the economic situation in Mexico.

Meeting state mandates:

The District has implemented English Language Learner (ELL) models to meet a 2008 requirement that students who are not fluent in English be provided with up to four hours of instruction in English each day. The large number of English Language Learners (ELL) remains an academic challenge to the District, as did the fact that the state suspended the need to pass the AIMS exam in order to earn a high-school diploma mid-year. A new state Superintendent of Public Instruction and governor were elected in November 2014 and took office in January 2015. Both made immediate changes to education funding and delivery. The new state assessment AzMerit took effect in fiscal year 2015, and one major change was that the assessments are now primarily taken via computers.

NUSD relies on federal and state grants to supplement personnel, supplies, and professional development beyond that provided by Maintenance and Operation funding. In fiscal year 2018 grant funding overall was down, following a pattern starting seven years ago. There were, prior to fiscal year 2017, six physical education positions paid from a pass-through grant from the Santa Cruz County School Superintendent's office. However, that grant expired and the District picked up two P.E. positions. To accommodate cuts in other federal and state grants, reductions were made in supplies as well as training and travel for professional development, and certain previously-paid positions, such as the technology specialists, were moved to M&O funding.

Facilities:

The average age of school buildings is 30.9 years. The District asked for the passage of a bond on November 8, 2011 that would have funded much-needed roofing, electrical, and mechanical repairs as well as the construction of a new four-classroom science building and a small addition to the gymnasium for a wrestling room where the cheerleaders and spirit squad could practice. Unfortunately, the bond measure failed by 669 against to 595 for a difference of 74 votes. However, the State Facilities Board (SFB) conducted its own audit of District facilities five years ago and authorized repairs to several schools' roofs and to a drainage problem at one elementary school. Many of those projects were completed in fiscal year 2015 and others in fiscal year 2016 and 2017, and other projects were started in fiscal year 2018.

Factors affecting financial conditions:

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

NUSD is a significant contributor to the local economy. Whenever possible, NUSD purchases supplies and services locally in order to support the community's economy. A total of approximately \$37.1 million from local, state, and federal monies is spent on salaries and benefits. The District operated under a fiscal year 2018 Maintenance and Operation budget of \$33.3 million compared to \$31.41 million in fiscal year 2017. The overall budget for the District for fiscal year 2018 was \$57.1 million compared to \$53.3 million in fiscal year 2017.

The continuation override passed in fiscal year 2014 has allowed support for athletics, honors programs, the arts, and a bonus for both classified and certified employees for signing their contracts. The continuation override secures funding for five years after passage, meaning that within a year, the District needs to start planning for either a continuation or an increase or risk losing over \$1.0 million in funding that is unlikely to be able to be absorbed by M&O.

Overview of Nogales:

The jobless rate for Santa Cruz County for August 2018 was over 11.9 percent, the second highest in the state and much higher than neighboring Pima County with a six percent jobless rate.

The 2010 federal census (the latest official census) reports 20,878 residents for Nogales with 95 percent of those claiming Hispanic ethnicity. The medium household income from census updates in 2014 was \$29,442 and 29.4 percent of the families are listed as living below the poverty level. The medium age of those living in the city is 29.8, compared to a national average of 35.3. In 2010 there were 1,830 children under the age of five. The average household size, according to the census information, is 3.98, compared to a national average of 2.63. However, due to economic conditions and other factors, it is not uncommon to have more than one family living together and this information was most likely not reported to census workers. Only 63 percent of the residents have a high-school diploma, compared to the current average in Arizona of 85 percent. The census also reported that 10.9 percent had a Bachelor's degree, compared to 26 percent in the state as a whole. The median household income in Nogales was reported to be \$22,308, compared to a median income in Arizona of \$50,448. A new census is scheduled to be conducted within a year, and it is anticipated that these figures will either remain the same or go down even more due to the dwindling local economy and the almost complete-closure of a once thriving downtown area. The number of shoppers from Mexico is down greatly, due in part to the economy in Mexico, the long waits to cross the border even by foot, and the anti-immigration policies/negativity toward Mexico that have blossomed since the election of President Donald Trump who took office in January 2017.

Almost 12 percent of local employees who continue to work, do so for governmental or health organizations. However, like most of the rest of the country, Santa Cruz County and Nogales in particular have suffered a tremendous job loss over the past seven years and unlike other areas in the state, have not enjoyed a resurgence in employment. Several major stores, restaurants, and establishments have closed, as have numerous small family-owned businesses. The unemployment rate continues to hold steady despite the opening of a large port-of-entry in Nogales. Unfortunately, the vast majority of employees for U.S. Border Patrol, Customs, and other such entities (the one area that has seen an increase in employees) choose to live outside of Nogales and commute to work, thereby not helping the community itself to thrive despite an increase in employment among these agencies. Also, very few of the federal agents have children who attend District schools since they themselves commute to work rather than live within the District boundaries. The one area of growth has been in the produce and distribution areas, due in part to the opening of an expanded port of entry.

There are other interesting statistics for the City of Nogales that directly impact the school district. These include the following findings from Census Bureau surveys and other official entities:

- More than 41 percent of the residents are foreign born
- Population density is below state averages for cities
- Low-income obesity rate for preschoolers was 15.8 percent compared to a state average of 14.2 percent.

NEW DIRECTION

In January 2018 the District enjoyed its third full year under the leadership of Superintendent Fernando Parra who replaced the former superintendent in January 2015. The Leadership Team for the District remained the same in fiscal year 2018 and consisted of Superintendent Parra, Assistant Superintendent Angelina Canto, Finance Director Adelmo Sandoval, H.R. Director Mayra Zuniga, Student Services Director Judith Mendoza Jimenez, Grants Director Kathy Scott, and Technology Director Alex Lopez.

The focus for all schools is on academic achievement for all students. The District has instituted a series of early releases so that faculty members can work on aligning the curriculum to state standards, articulating among and between grade levels, and developing common assessments to chart progress toward mastery of reading, writing, and math. The District has also earmarked grant funding toward training all principals who in turn train teachers, based on the correlatives of Marzano and the new observation program.

As mentioned earlier, the District is constantly looking for ways to attract and retain qualified educators. In an effort to improve recruitment and retention of math, science, and special education teachers, the District offers an incentive bonus of \$5,000 to appropriately certified teachers in these three areas, paid over three years. It is worth mentioning that almost every district in Arizona has started to experience difficulty in attracting and retaining properly certified teachers not only in the hard-to-recruit areas of the past, but also even in areas such as English, social studies, physical education, elementary education, and counseling where there used to be sufficient applicants to fill those openings. The District is now competing with urban districts for these candidates, and studies have shown that fewer high-school graduates are entering college seeking education degrees than ever before.

TECHNOLOGY

One area the District is working diligently to enhance is its technology. All teachers have access to Power School, an Internet-based system that allows for recording of attendance and grades. Parents can access the system as often as they like to view the progress of their children throughout a grading quarter rather than waiting until progress or report cards are mailed home. The District now has wireless access at all sites, opening up many more opportunities for Internet use within classrooms. The telephone system is also tied directly to a server, and one feature is that during an emergency, information can be paged to every single person and office with a telephone, which is virtually almost every educator in the District. However, even with all the advances in equipment and training, NUSD – as with most other districts throughout the state finds it difficult to keep up with the need to constantly replace and update what technology is already in place, let alone build capacity. The reduction in E-Rate allocations is already impacting the District negatively and steps are being taken to make sure vital services are maintained. That the state AzMerit test and other assessments are moving to computer-based applications makes it even more important to increase the number of appropriate computing devices at all sites.

AWARDS AND ACKNOWLEDGMENT

Awards. The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the twenty-third consecutive year that the District has received this prestigious award. In addition, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded these certificates, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

These certificates are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the programs' requirements and we are submitting it to ASBO and GFOA to determine its eligibility for the fiscal year ended June 30, 2018 certificates.

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the business and finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

The preparation of all the financial records, tracking of accounts, and meeting of state and federal financial mandates would not be possible without the cooperation and input from all NUSD departments.

Respectfully submitted,



Fernando Parra
Superintendent



Adelmo Sandoval
Finance Director



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Nogales Unified School District No. 1

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Nogales Unified School District No. 1
Arizona**

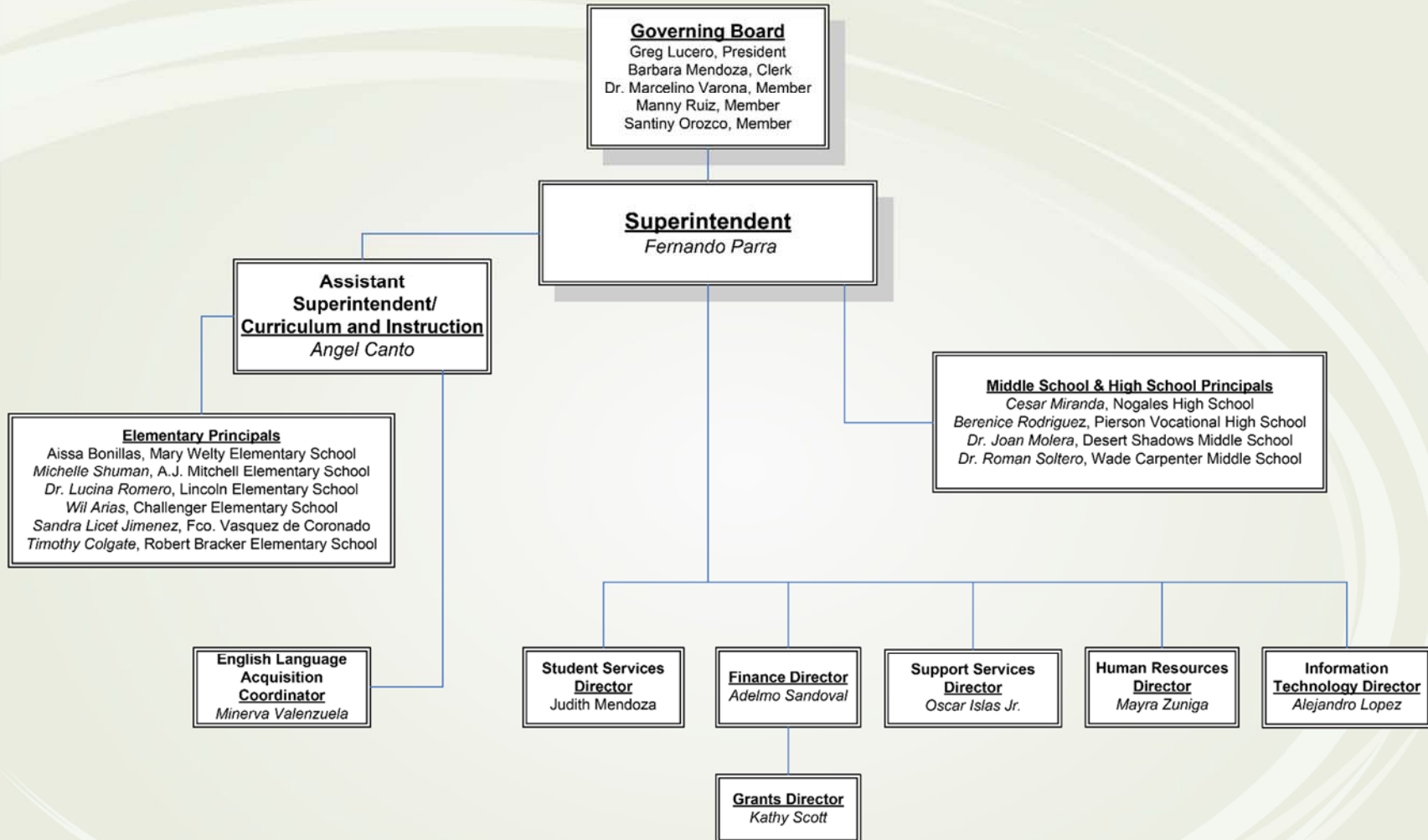
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

NUSD #1 ADMINISTRATION 2017-2018



Revised June 2017

NOGALES UNIFIED SCHOOL DISTRICT NO. 1

LIST OF PRINCIPAL OFFICIALS

GOVERNING BOARD

Barbara Mendoza, President

Santiny Orozco, Clerk

Greg Lucero, Member

Manny Ruiz, Member

Dr. Marcelino Varona, Member

ADMINISTRATIVE STAFF

Fernando Parra, Superintendent

Angel Canto, Assistant Superintendent for Operations/Curriculum and Instruction

Adelmo Sandoval, Finance Director

Kathy Scott, Grants Director

Mayra Zuñiga, Human Resources Director

Judith Mendoza-Jimenez, Student Services Director

Oscar Islas, Jr., Support Services Director

Alex Lopez, Technology Director

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Nogales Unified School District No. 1

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 Nogales Unified School District No. 1 (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nogales Unified School District No. 1, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Combining and Individual Fund Financial Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2019, on our consideration of Nogales Unified School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nogales Unified School District No. 1's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
January 29, 2019

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

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**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

As management of the Nogales Unified School District No. 1 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities decreased \$71,888 which represents a one percent decrease from the prior fiscal year.
- General revenues accounted for \$34.7 million in revenue, or 75 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$11.4 million or 25 percent of total current fiscal year revenues.
- The District had approximately \$46.1 million in expenses related to governmental activities, an increase of six percent from the prior fiscal year primarily due to the first year of operations for the Career and Technical Education program, and increased salaries and related expenses for step increases in salary schedules for returning teachers.
- Among major funds, the General Fund had \$32.7 million current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$30.8 million in expenditures. The General Fund's fund balance decreased from \$10.3 million at the prior fiscal year end, to \$9.8 million at the end of the current fiscal year due primarily to increased salary and related expenses for step increases in salary schedules for returning teachers.

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.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Joint Technical Education Funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process and pension plan. The District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and a major Special Revenue Fund as required supplementary information. Schedules for the pension and other postemployment benefit plans 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 \$11.6 million at the current fiscal year end.

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

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	As of June 30, 2018	As of June 30, 2017
Current and other assets	\$ 15,239,278	\$ 16,620,057
Capital assets, net	37,486,289	38,529,030
Total assets	<u>52,725,567</u>	<u>55,149,087</u>
Deferred outflows	<u>4,499,321</u>	<u>6,808,664</u>
Current and other liabilities	777,540	882,379
Long-term liabilities	41,797,909	44,149,716
Total liabilities	<u>42,575,449</u>	<u>45,032,095</u>
Deferred inflows	<u>3,054,743</u>	<u>5,264,930</u>
Net position:		
Investment in capital assets	37,486,289	38,529,030
Restricted	4,178,509	4,883,871
Unrestricted	(30,070,102)	(31,752,175)
Total net position	<u>\$ 11,594,696</u>	<u>\$ 11,660,726</u>

At the end of the current fiscal year the District reported a negative unrestricted net position of \$30.1 million as a result of unfunded pension liability. Positive net position was reported in the other two categories.

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 decrease of \$2.2 million in pension liabilities.
- The depreciation of existing assets resulting in the addition of \$1.9 million in accumulated depreciation.
- The principal retirement of \$374,319 of capital lease obligations.
- The addition of \$891,137 in capital assets through building improvements, vehicles, and equipment.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

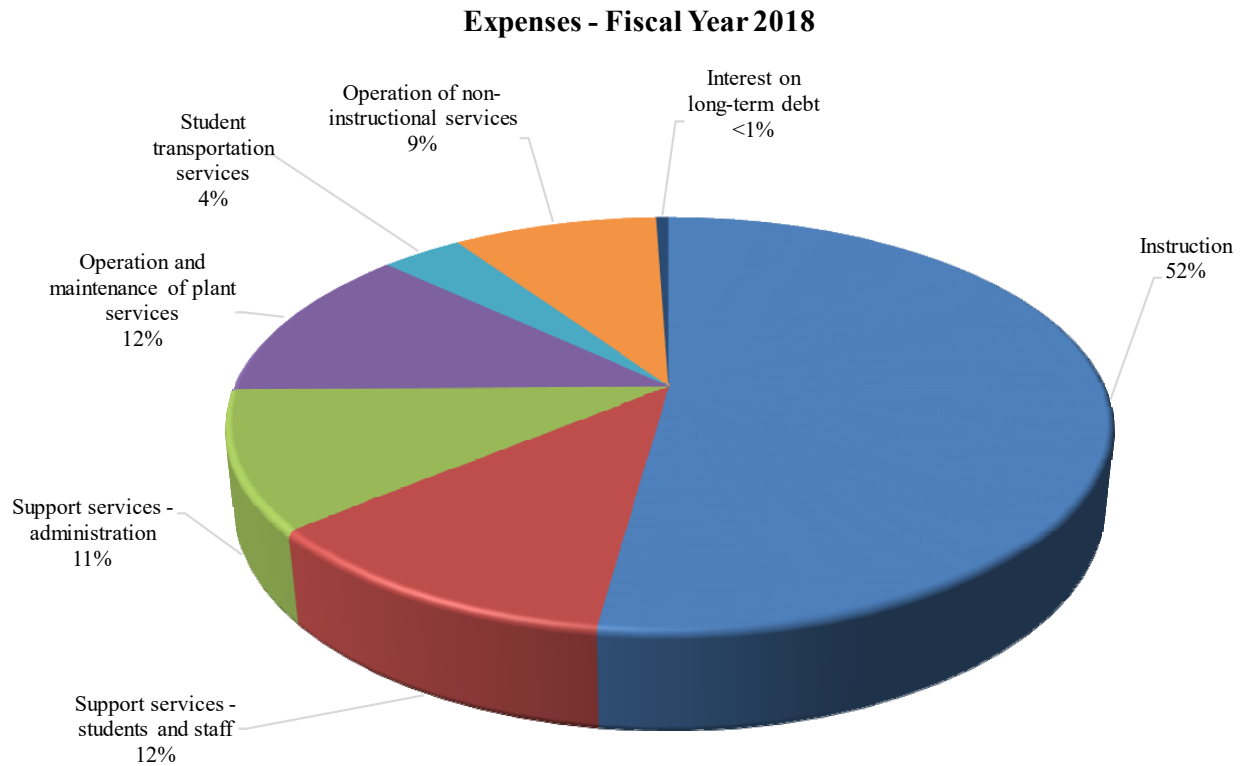
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position. The District's total revenues for the current fiscal year were \$46.1 million. The total cost of all programs and services was \$46.1 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,800,320	\$ 1,139,551
Operating grants and contributions	9,139,458	9,069,827
Capital grants and contributions	454,387	684,547
General revenues:		
Property taxes	6,242,512	7,097,785
Investment income	102,867	5,960
Unrestricted county aid	979,476	960,056
Unrestricted state aid	27,159,885	25,852,900
Unrestricted federal aid	187,251	127,657
Total revenues	<u>46,066,156</u>	<u>44,938,283</u>
Expenses:		
Instruction	24,072,866	22,408,932
Support services - students and staff	5,449,204	5,276,967
Support services - administration	4,960,490	4,162,846
Operation and maintenance of plant services	5,636,155	5,867,444
Student transportation services	1,636,593	1,450,864
Operation of non-instructional services	4,135,684	3,996,101
Interest on long-term debt	247,052	247,052
Total expenses	<u>46,138,044</u>	<u>43,410,206</u>
Changes in net position	(71,888)	1,528,077
Net position, beginning	<u>11,666,584</u>	<u>10,132,649</u>
Net position, ending	<u>\$ 11,594,696</u>	<u>\$ 11,660,726</u>

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS



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

- The increase of \$660,769 in charges for services was primarily due to new funding for the joint technical education program.
- The decrease in property tax revenues of \$855,273 was due to a decrease in the primary tax rate as a result of cash reserves utilized to support current year expenses.
- Unrestricted state aid revenues increased \$1.3 million due to additional state equalization funding as a result of an increase in average daily membership.
- Instruction expenses increased \$1.7 million as a result of the first year of operations for the Career and Technical Education program as well as increased salaries and related expenses for step increases in salary schedules for returning teachers.

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.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Year Ended June 30, 2018		Year Ended June 30, 2017	
	Total	Net (Expense)/	Total	Net (Expense)/
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 24,072,866	\$ (19,660,425)	\$ 22,408,932	\$ (19,084,513)
Support services - students and staff	5,449,204	(3,183,298)	5,276,967	(2,922,784)
Support services - administration	4,960,490	(4,444,685)	4,162,846	(3,993,252)
Operation and maintenance of plant services	5,636,155	(5,534,754)	5,867,444	(5,328,508)
Student transportation services	1,636,593	(1,619,741)	1,450,864	(1,428,805)
Operation of non-instructional services	4,135,684	(300,976)	3,996,101	241,581
Interest on long-term debt	247,052		247,052	
Total	\$ 46,138,044	\$ (34,743,879)	\$ 43,410,206	\$ (32,516,281)

- The cost of all governmental activities this year was \$46.1 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$11.4 million.
- Net cost of governmental activities of \$34.7 million was financed by general revenues, which are made up of primarily property taxes of \$6.2 million and state and county aid of \$28.1 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 \$13.8 million, a decrease of \$1.3 million due primarily to increased salary and related expenses due to step increases in salary schedules for returning teachers.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund comprises 71 percent of the total fund balance. Approximately \$9.0 million, or 92 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance of \$490,995 to \$9.8 million as of fiscal year end was a result of increased salary and related expenses due to step increases in salary schedules for returning teachers. General Fund revenues increased \$922,234 as a result of increased state aid. General Fund expenditures increased \$862,731 as a result of increased salary and related expenses due to step increases in salary schedules for returning teachers.

The Joint Technical Education Fund had \$437,534 in revenues and \$467,142 in expenditures. The Joint Technical Education Fund had a deficit fund balance as of year end of \$29,608 due to expenditures exceeding revenues in the first year of operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget for changes in the projected actual enrollment. The difference between the original budget and the final amended budget was an \$819,629 increase, or three percent.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant favorable variance of \$3.8 million in instruction was a result of budgeting to the maximum general budget limit to maximize the budget carryforward to provide capacity in future years.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the District had invested \$83.1 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$891,137 from the prior fiscal year. Total depreciation expense for the current fiscal year was \$1.9 million.

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

	As of June 30, 2018	As of June 30, 2017
Capital assets - non-depreciable	\$ 5,275,183	\$ 4,767,462
Capital assets - depreciable, net	32,211,106	33,761,568
Total	\$ 37,486,289	\$ 38,529,030

The estimated cost to complete current construction projects is \$1.0 million. Additional information on the District's capital assets can be found in Note 6.

Debt Administration. 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 \$38.0 million and the Class B debt limit is \$25.3 million. At fiscal year end, the District had no outstanding general obligation debt.

The District has \$4.5 million of obligations under leases outstanding at year end, \$374,319 due within one year. Additional information on the District's long-term debt can be found in Notes 7 and 8.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2018-19 budget. Among them:

- Fiscal year 2017-18 budget balance carry forward (estimated \$2.5 million)
- District student population (estimated 5,555).

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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 eight percent to \$35.9 million in fiscal year 2018-19 for increased payroll and employee benefit costs. State aid and property taxes are expected to be the primary funding sources. No new programs were added to the 2018-19 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Nogales Unified School District No. 1, 310 West Plum Street, Nogales, Arizona 85621.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 5,318,765
Property taxes receivable	623,072
Accounts receivable	20,642
Due from governmental entities	8,333,586
Prepaid items	447,871
Inventory	370,827
Total current assets	15,114,763
Noncurrent assets:	
Net other postemployment benefit assets	124,515
Capital assets not being depreciated	5,275,183
Capital assets, net of accumulated depreciation	32,211,106
Total noncurrent assets	37,610,804
Total assets	52,725,567
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension and other postemployment benefit plan items	4,499,321
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	448,778
Construction contracts payable	29,608
Accrued payroll and employee benefits	297,142
Compensated absences payable	475,000
Unearned revenues	2,012
Obligations under capital leases	374,319
Total current liabilities	1,626,859
Noncurrent liabilities:	
Non-current portion of long-term obligations	40,948,590
Total noncurrent liabilities	40,948,590
Total liabilities	42,575,449
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension and other postemployment benefit plan items	3,054,743
<u>NET POSITION</u>	
Investment in capital assets	37,486,289
Restricted for:	
Instructional purposes	1,207,509
Federal and state projects	260,019
Food service	1,042,698
Other local initiatives	377,373
Capital outlay	1,290,910
Unrestricted	(30,070,102)
Total net position	\$ 11,594,696

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 24,072,866	\$ 1,372,292	\$ 2,585,762	\$ 454,387	\$ (19,660,425)
Support services - students and staff	5,449,204		2,265,906		(3,183,298)
Support services - administration	4,960,490	45,883	469,922		(4,444,685)
Operation and maintenance of plant services	5,636,155	29,406	71,995		(5,534,754)
Student transportation services	1,636,593		16,852		(1,619,741)
Operation of non-instructional services	4,135,684	352,739	3,481,969		(300,976)
Interest on long-term debt	247,052		247,052		
Total governmental activities	<u>\$ 46,138,044</u>	<u>\$ 1,800,320</u>	<u>\$ 9,139,458</u>	<u>\$ 454,387</u>	<u>(34,743,879)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	6,242,512
Investment income	102,867
Unrestricted county aid	979,476
Unrestricted state aid	27,159,885
Unrestricted federal aid	187,251
Total general revenues	<u>34,671,991</u>

Changes in net position (71,888)

Net position, beginning of year, as restated 11,666,584

Net position, end of year \$ 11,594,696

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

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FUND FINANCIAL STATEMENTS

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Joint Technical Education	Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 1,403,998	\$	\$ 3,914,767
Property taxes receivable	623,072		
Accounts receivable			20,642
Due from governmental entities	7,539,204	192,630	601,752
Due from other funds	504,122		
Prepaid items	447,871		
Inventory	329,587		41,240
Total assets	\$ 10,847,854	\$ 192,630	\$ 4,578,401
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 282,639	\$ 4,550	\$ 161,589
Construction contracts payable		29,608	
Due to other funds		188,080	316,042
Accrued payroll and employee benefits	216,082		81,060
Unearned revenues			2,012
Total liabilities	498,721	222,238	560,703
Deferred inflows of resources:			
Unavailable revenues - property taxes	552,648		
Unavailable revenues - intergovernmental			23,491
Total deferred inflows of resources	552,648		23,491
Fund balances (deficits):			
Nonspendable	777,458		41,240
Restricted			4,137,269
Unassigned	9,019,027	(29,608)	(184,302)
Total fund balances	9,796,485	(29,608)	3,994,207
 Total liabilities, deferred inflows of resources and fund balances	 \$ 10,847,854	 \$ 192,630	 \$ 4,578,401

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

Total
Governmental
Funds

\$ 5,318,765
623,072
20,642
8,333,586
504,122
447,871
370,827
\$ 15,618,885

\$ 448,778
29,608
504,122
297,142
2,012
1,281,662

552,648
23,491
576,139

818,698
4,137,269
8,805,117
13,761,084

\$ 15,618,885

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NOGALES UNIFIED SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total governmental fund balances **\$ 13,761,084**

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	\$ 83,063,543	
Less accumulated depreciation	<u>(45,577,254)</u>	37,486,289

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

Property taxes	552,648	
Intergovernmental	<u>23,491</u>	576,139

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	4,499,321	
Deferred inflows of resources related to pensions/OPEB	<u>(3,054,743)</u>	1,444,578

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

124,515

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

Compensated absences payable	(1,362,422)	
Obligations under capital leases	(4,491,832)	
Net OPEB liability	(82,982)	
Net pension liability	<u>(35,860,673)</u>	<u>(41,797,909)</u>

Net position of governmental activities **\$ 11,594,696**

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General	Joint Technical Education	Non-Major Governmental Funds
Revenues:			
Other local	\$ 1,929,282	\$ 437,534	\$ 762,232
Property taxes	6,291,782		28,212
State aid and grants	24,337,962		3,812,047
Federal aid, grants and reimbursements	187,251		8,376,184
Total revenues	32,746,277	437,534	12,978,675
Expenditures:			
Current -			
Instruction	16,341,928	97,927	5,104,306
Support services - students and staff	3,169,064	347	2,266,541
Support services - administration	4,037,690	7,280	495,950
Operation and maintenance of plant services	5,614,380		104,897
Student transportation services	1,345,648		16,348
Operation of non-instructional services	301,496		3,731,612
Capital outlay	38,525	361,588	1,925,636
Debt service -			
Principal retirement			374,319
Interest and fiscal charges			247,052
Total expenditures	30,848,731	467,142	14,266,661
Excess (deficiency) of revenues over expenditures	1,897,546	(29,608)	(1,287,986)
Other financing sources (uses):			
Transfers in	380,424		876,174
Transfers out	(876,174)		(380,424)
Insurance recoveries	7,322		
Total other financing sources (uses)	(488,428)		495,750
Changes in fund balances	1,409,118	(29,608)	(792,236)
Fund balances, beginning of year	10,287,480		4,770,407
Increase (decrease) in reserve for prepaid items	(1,905,240)		
Increase (decrease) in reserve for inventory	5,127		16,036
Fund balances, end of year	\$ 9,796,485	\$ (29,608)	\$ 3,994,207

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

Total
Governmental
Funds

\$ 3,129,048
6,319,994
28,150,009
8,563,435
46,162,486

21,544,161
5,435,952
4,540,920
5,719,277
1,361,996
4,033,108
2,325,749

374,319
247,052
45,582,534

579,952

1,256,598
(1,256,598)

7,322
7,322

587,274

15,057,887

(1,905,240)
21,163

\$ 13,761,084

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Changes in fund balances - total governmental funds **\$ 587,274**

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	\$ 891,137	
Less current year depreciation	<u>(1,933,878)</u>	(1,042,741)

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

Property taxes	(77,482)	
Intergovernmental	<u>(26,170)</u>	(103,652)

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

374,319

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	2,662,646	
Pension/OPEB expense	<u>(476,274)</u>	2,186,372

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.

Prepaid items	(1,905,240)	
Inventory	21,163	
Compensated absences	<u>(189,383)</u>	<u>(2,073,460)</u>

Changes in net position in governmental activities **\$ (71,888)**

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency
<u>ASSETS</u>	
Cash and investments	\$ 3,012,560
Total assets	\$ 3,012,560
 <u>LIABILITIES</u>	
Deposits held for others	\$ 2,774,160
Due to student groups	238,400
Total liabilities	\$ 3,012,560

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Nogales Unified School District No. 1 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2018, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires governments providing defined benefit postemployment benefits other than pensions to recognize the long-term obligation for those benefits as a liability, and to more comprehensively and comparably measure the annual costs of those benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

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

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted federal, state and county aid, and other items not included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amount approximating their external exchange value.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

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

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

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

Joint Technical Education Fund – The Joint Technical Education Fund accounts for monies received from Joint Technical Education Districts for vocational education programs.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Additionally, the District reports the following fund type:

Fiduciary Funds – The Fiduciary Funds are Agency Funds which account for resources held by the District on behalf of others and include monies raised by students to finance student clubs and organizations and voluntary employee deductions and payroll temporarily held by the District until distributed.

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

D. Cash and Investments

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

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

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

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of Bond Building and Debt Service Funds monies in interest bearing savings accounts and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

E. Investment Income

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Inventory

Inventories of the General Fund are valued at cost using the weighted average method and inventories of the Food Service Fund, a non-major governmental fund, are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements.

The United States Department of Agriculture (USDA) commodity portion of the food services inventory consists of food donated by the USDA. It is valued at estimated market prices paid by the USDA.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements and as expenditures when purchased in the fund financial statements.

J. Capital Assets

Capital assets, which include land and improvements; buildings and improvements; vehicles, furniture, 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	5 – 50 years
Buildings and improvements	20 – 50 years
Vehicles, furniture and equipment	3 – 15 years

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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.

L. Compensated Absences

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

M. 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.

N. 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.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

O. 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.

P. 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.

Q. Estimates

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

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

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 be 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.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

	General Fund	Joint Technical Education Fund	Non-Major Governmental Funds
Fund Balances:			
Nonspendable:			
Inventory	\$ 329,587	\$	\$ 41,240
Prepaid items	447,871		
Restricted:			
Capital projects			1,290,910
Voter approved initiatives			1,207,509
Federal and state projects			260,019
Food service			1,001,458
Civic center			28,032
Community school			109,974
Extracurricular activities			128,812
Gifts and donations			107,655
Non-instructional purposes			2,900
Unassigned	9,019,027	(29,608)	(184,302)
Total fund balances	\$ 9,796,485	\$ (29,608)	\$ 3,994,207

The District reclassified the activity of the Insurance Proceeds Fund, a non-major governmental fund, to the General Fund based on the provisions of GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The resulting beginning fund balances have been restated from the prior year to reflect the change.

	Governmental Funds	
	General Fund	Non-Major Governmental Funds
Fund balance, June 30, 2017, as previously reported	\$ 10,283,586	\$ 4,774,301
Reclassification of funds	3,894	(3,894)
Fund balance, July 1, 2017, as restated	\$ 10,287,480	\$ 4,770,407

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

	Deficit
Major Fund:	
Joint Technical Education Fund	\$ 29,608
Non-Major Governmental Funds:	
Promote Informed Parent Choice	9,077
Special Education Grants	46
Vocational Education	14,368
Other Federal Projects	160,811

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

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

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District’s deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District’s deposits was \$569,673 and the bank balance was \$1,244,958. At year end, \$744,958 of the District’s deposits were covered by collateral held by the pledging financial institution’s trust department or agent but not in the District’s name.

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

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – CASH AND INVESTMENTS

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

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

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	33 days	\$ 7,761,652

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

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

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

NOTE 5 – RECEIVABLES

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

	<u>General Fund</u>	<u>Joint Technical Education Fund</u>	<u>Non-Major Governmental Funds</u>
Due from other governmental entities:			
Due from federal government	\$	\$	\$ 255,958
Due from state government	7,539,204		345,794
Due from other districts		192,630	
Net due from governmental entities	\$ 7,539,204	\$ 192,630	\$ 601,752

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,905,313	\$	\$	\$ 4,905,313
Construction in progress	93,739	441,230	165,099	369,870
Total capital assets, not being depreciated	<u>4,999,052</u>	<u>441,230</u>	<u>165,099</u>	<u>5,275,183</u>
Capital assets, being depreciated:				
Land improvements	1,602,650			1,602,650
Buildings and improvements	70,687,076	422,906		71,109,982
Vehicles, furniture and equipment	4,883,628	192,100		5,075,728
Total capital assets being depreciated	<u>77,173,354</u>	<u>615,006</u>		<u>77,788,360</u>
Less accumulated depreciation for:				
Land improvements	(1,043,654)	(65,941)		(1,109,595)
Buildings and improvements	(39,163,782)	(1,666,882)		(40,830,664)
Vehicles, furniture and equipment	(3,435,940)	(201,055)		(3,636,995)
Total accumulated depreciation	<u>(43,643,376)</u>	<u>(1,933,878)</u>		<u>(45,577,254)</u>
Total capital assets, being depreciated, net	<u>33,529,978</u>	<u>(1,318,872)</u>		<u>32,211,106</u>
Governmental activities capital assets, net	<u>\$ 38,529,030</u>	<u>\$ (877,642)</u>	<u>\$ 165,099</u>	<u>\$ 37,486,289</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$1,786,315
Support services – administration	62,371
Operation and maintenance of plant services	35,586
Student transportation services	4,431
Operation of non-instructional services	45,175
Total depreciation expense – governmental activities	<u>\$1,933,878</u>

Construction Commitments – At year end, the District had contractual commitments related to various building improvements. At year end the District had spent \$369,870 on the projects and had estimated remaining contractual commitments of \$1.0 million. These projects are being funded by the School Facilities Board and Joint Technical Education Funding.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – OBLIGATIONS UNDER LEASES

Capital Leases – The District entered into a long-term lease agreement for the purchase of energy conservation upgrades. 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, a non-major governmental fund, to pay the capital lease obligation when due. The District receives a federal interest subsidy to fund the interest payments for the District-wide energy projects.

The assets acquired through capital leases for construction did not meet the District’s capitalization threshold.

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:	Governmental Activities
2019	\$ 621,371
2020	621,371
2021	621,371
2022	621,371
2023	621,371
2024-28	3,106,855
2029-30	1,057,437
Total minimum lease payments	7,271,147
Less: amount representing interest	2,779,315
Present value of minimum lease payments	\$ 4,491,832
Due within one year	\$ 374,319

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Obligations under capital leases	\$ 4,866,151	\$	\$ 374,319	\$ 4,491,832	\$ 374,319
Net OPEB liability	82,269	713		82,982	
Net pension liability	38,110,526		2,249,853	35,860,673	
Compensated absences payable	1,173,039	615,441	426,058	1,362,422	475,000
Governmental activity long-term liabilities	<u>\$ 44,231,985</u>	<u>\$ 616,154</u>	<u>\$ 3,050,230</u>	<u>\$ 41,797,909</u>	<u>\$ 849,319</u>

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other fund – At year end, the Joint Technical Education Fund, and several non-major governmental funds had negative cash balances of \$188,080 and \$316,042, respectively in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

Interfund transfers – Transfers from non-major governmental funds to the General Fund of \$876,174 were used to move federal grant funds restricted for indirect costs and transfers of \$380,424 from the General Fund to non-major governmental funds were used move cash balances and for the repayment of capital lease principal.

NOTE 10 – CONTINGENT LIABILITIES

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – RISK MANAGEMENT

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

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

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 continues to carry commercial insurance for workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

	Pension	OPEB
Net assets	\$	\$ (124,515)
Net liability	35,860,673	82,982
Deferred outflows of resources	4,360,400	138,921
Deferred inflows of resources	2,901,967	152,776
Expense	359,173	117,101
Contributions	2,523,725	138,921

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	

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT 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.

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

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

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

	Contributions
Pension	\$ 2,523,725
Health Insurance Premium	101,875
Long-Term Disability	37,046

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The District was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 for retirement, 0.10 percent for health insurance premium benefit, and 0.13 percent for long-term disability). ACR contributions are included in employer contributions presented above.

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

Pension and OPEB Assets/Liability. The net pension and OPEB assets/liability were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The District’s proportion of the net assets/liability was based on the District’s actual contributions to the applicable plan relative to the total of all participating employers’ contributions to the plan for the year ended June 30, 2017.

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

	Net <u>(Assets) Liability</u>	District <u>% Proportion</u>	Increase <u>(Decrease)</u>
Pension	\$ 35,860,673	0.230	(0.006)
Health Insurance Premium	(124,515)	0.229	
Long-Term Disability	82,982	0.229	

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

	<u>Expense</u>
Pension	\$ 359,173
Health Insurance Premium	72,828
Long-Term Disability	44,273

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – 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
Changes of assumptions or other inputs	\$ 1,557,511	\$	\$
Net difference between projected and actual earnings on pension investments	257,455		
Changes in proportion and differences between contributions and proportionate share of contributions	21,709		
Contributions subsequent to the measurement date	2,523,725	101,875	37,046
Total	\$ 4,360,400	\$ 101,875	\$ 37,046
	Deferred Inflows of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
Differences between expected and actual experience	\$ 1,075,301	\$	\$
Changes of assumptions or other inputs	1,072,298		
Net difference between projected and actual earnings on pension investments		140,199	12,413
Changes in proportion and differences between contributions and proportionate share of contributions	754,368	152	12
Total	\$ 2,901,967	\$ 140,351	\$ 12,425

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year Ending June 30:	Pension	Health Insurance Premium	Long-Term Disability
2019	\$ (1,813,837)	\$ (35,082)	\$ (3,105)
2020	1,194,324	(35,082)	(3,105)
2021	379,123	(35,082)	(3,105)
2022	(824,902)	(35,082)	(3,105)
2023		(24)	(2)
Thereafter			(2)

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The long-term expected rate of return on ASRS plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

Discount Rate. The discount rate used to measure the ASRS total pension and OPEB liability was 8.0 percent, which is less than the long-term expected rate of return of 8.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liability.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Sensitivity of the Proportionate Share of the Net Pension and OPEB Asset/Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension and OPEB assets/liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension and OPEB asset/liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate share of the net (assets) liability		
	1% Decrease	Current Discount Rate	1% Increase
Rate	7.0%	8.0%	9.0%
Pension	\$ 46,027,797	\$ 35,860,673	\$ 27,365,170
Health Insurance Premium	206,784	(124,515)	(406,063)
Long-Term Disability	99,226	82,982	69,209

Pension and OPEB Plan Fiduciary Net Position. Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

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

	Statement of Activities
Net position, June 30, 2017, as previously reported	\$ 11,660,726
Net OPEB asset	56,992
Net OPEB liability	(51,134)
Net position, July 1, 2017, as restated	\$ 11,666,584

REQUIRED SUPPLEMENTARY INFORMATION

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Other local	\$	\$	\$ 1,504,181	\$ 1,504,181
Property taxes			6,291,782	6,291,782
State aid and grants			24,275,570	24,275,570
Total revenues			<u>32,071,533</u>	<u>32,071,533</u>
Expenditures:				
Current -				
Instruction	18,919,729	19,739,358	15,983,975	3,755,383
Support services - students and staff	2,659,208	2,659,208	3,052,452	(393,244)
Support services - administration	3,660,455	3,660,455	3,732,789	(72,334)
Operation and maintenance of plant services	5,737,303	5,737,303	5,544,973	192,330
Student transportation services	1,278,613	1,278,613	1,345,250	(66,637)
Operation of non-instructional services	244,433	244,433	272,479	(28,046)
Total expenditures	<u>32,499,741</u>	<u>33,319,370</u>	<u>29,931,918</u>	<u>3,387,452</u>
Excess (deficiency) of revenues over expenditures	<u>(32,499,741)</u>	<u>(33,319,370)</u>	<u>2,139,615</u>	<u>35,458,985</u>
Other financing sources (uses):				
Transfers out			(874,319)	(874,319)
Total other financing sources (uses)			<u>(874,319)</u>	<u>(874,319)</u>
Changes in fund balances	<u>(32,499,741)</u>	<u>(33,319,370)</u>	<u>1,265,296</u>	<u>34,584,666</u>
Fund balances, beginning of year			9,574,236	9,574,236
Increase (decrease) in reserve for prepaid items			(1,905,240)	(1,905,240)
Increase (decrease) in reserve for inventory			5,127	5,127
Fund balances (deficits), end of year	<u>\$ (32,499,741)</u>	<u>\$ (33,319,370)</u>	<u>\$ 8,939,419</u>	<u>\$ 42,258,789</u>

See accompanying notes to this schedule.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
JOINT TECHNICAL EDUCATION
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 437,534	\$ 437,534
Total revenues			437,534	437,534
Expenditures:				
Current -				
Instruction	180,000	97,927	97,927	
Support services - students and staff	10,000	347	347	
Support services - administration	10,000	7,280	7,280	
Capital outlay	362,000	334,446	361,588	(27,142)
Total expenditures	562,000	440,000	467,142	(27,142)
Changes in fund balances	(562,000)	(440,000)	(29,608)	410,392
Fund balances, beginning of year				
Fund balances (deficits), end of year	\$ (562,000)	\$ (440,000)	\$ (29,608)	\$ 410,392

See accompanying notes to this schedule.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension (assets) liability	0.23%	0.24%	0.24%	0.24%
District's proportionate share of the net pension (assets) liability	\$ 35,860,673	\$ 38,110,526	\$ 36,722,665	\$ 36,176,767
District's covered payroll	\$ 22,331,679	\$ 22,252,378	\$ 21,672,332	\$ 22,007,561
District's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	160.58%	171.26%	169.44%	164.38%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,523,725	\$ 2,407,355	\$ 2,414,383	\$ 2,360,117
Contributions in relation to the actuarially determined contribution	<u>2,523,725</u>	<u>2,407,355</u>	<u>2,414,383</u>	<u>2,360,117</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 23,153,440	\$ 22,331,679	\$ 22,252,378	\$ 21,672,332
Contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%

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

See accompanying notes to this schedule.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM - HEALTH INSURANCE PREMIUM
JUNE 30, 2018

2018

Measurement date	June 30, 2017
District's proportion of the net OPEB (assets) liability	0.23%
District's proportionate share of the net OPEB (assets) liability	\$ (124,515)
District's covered payroll	\$ 22,331,679
District's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	(0.56)%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%

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

2018

Actuarially determined contribution	\$ 101,875
Contributions in relation to the actuarially determined contribution	<u>101,875</u>
Contribution deficiency (excess)	<u><u>\$</u></u>
District's covered payroll	\$ 23,153,440
Contributions as a percentage of covered payroll	0.44%

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

See accompanying notes to this schedule.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ARIZONA STATE RETIREMENT SYSTEM - LONG-TERM DISABILITY
JUNE 30, 2018

2018

Measurement date	June 30, 2017
District's proportion of the net OPEB (assets) liability	0.23%
District's proportionate share of the net OPEB (assets) liability	\$ 82,982
District's covered payroll	\$ 22,331,679
District's proportionate share of the net OPEB (assets) liability as a percentage of its covered payroll	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%

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

2018

Actuarially determined contribution	\$ 37,046
Contributions in relation to the actuarially determined contribution	<u>37,046</u>
Contribution deficiency (excess)	<u><u>\$</u></u>
District's covered payroll	\$ 23,153,440
Contributions as a percentage of covered payroll	0.16%

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

See accompanying notes to this schedule.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

	Total Expenditures	Fund Balances End of Year
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 30,848,731	\$ 9,796,485
Activity budgeted as special revenue funds	(916,813)	(857,066)
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	\$ 29,931,918	\$ 8,939,419

NOTE 2 – PENSION AND OPEB PLAN SCHEDULES

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

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

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**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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GOVERNMENTAL FUNDS

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 2,598,409	\$ 1,316,358	\$ 3,914,767
Accounts receivable	20,642		20,642
Due from governmental entities	600,244	1,508	601,752
Inventory	41,240		41,240
Total assets	<u><u>\$ 3,260,535</u></u>	<u><u>\$ 1,317,866</u></u>	<u><u>\$ 4,578,401</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 134,633	\$ 26,956	\$ 161,589
Due to other funds	316,042		316,042
Accrued payroll and employee benefits	81,060		81,060
Unearned revenues	2,012		2,012
Total liabilities	<u>533,747</u>	<u>26,956</u>	<u>560,703</u>
Deferred inflows of resources:			
Unavailable revenues - intergovernmental	<u>23,491</u>		<u>23,491</u>
Fund balances (deficits):			
Nonspendable	41,240		41,240
Restricted	2,846,359	1,290,910	4,137,269
Unassigned	(184,302)		(184,302)
Total fund balances	<u>2,703,297</u>	<u>1,290,910</u>	<u>3,994,207</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 3,260,535</u></u>	 <u><u>\$ 1,317,866</u></u>	 <u><u>\$ 4,578,401</u></u>

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:			
Other local	\$ 745,168	\$ 17,064	\$ 762,232
Property taxes		28,212	28,212
State aid and grants	3,520,505	291,542	3,812,047
Federal aid, grants and reimbursements	8,129,132	247,052	8,376,184
Total revenues	<u>12,394,805</u>	<u>583,870</u>	<u>12,978,675</u>
Expenditures:			
Current -			
Instruction	5,104,306		5,104,306
Support services - students and staff	2,266,541		2,266,541
Support services - administration	495,950		495,950
Operation and maintenance of plant services	104,897		104,897
Student transportation services	16,348		16,348
Operation of non-instructional services	3,731,612		3,731,612
Capital outlay	346,085	1,579,551	1,925,636
Debt service -			
Principal retirement		374,319	374,319
Interest and fiscal charges		247,052	247,052
Total expenditures	<u>12,065,739</u>	<u>2,200,922</u>	<u>14,266,661</u>
Excess (deficiency) of revenues over expenditures	<u>329,066</u>	<u>(1,617,052)</u>	<u>(1,287,986)</u>
Other financing sources (uses):			
Transfers in	1,855	874,319	876,174
Transfers out	(380,424)		(380,424)
Total other financing sources (uses)	<u>(378,569)</u>	<u>874,319</u>	<u>495,750</u>
Changes in fund balances	<u>(49,503)</u>	<u>(742,733)</u>	<u>(792,236)</u>
Fund balances, beginning of year	2,736,764	2,033,643	4,770,407
Increase (decrease) in reserve for inventory	16,036		16,036
Fund balances, end of year	<u>\$ 2,703,297</u>	<u>\$ 1,290,910</u>	<u>\$ 3,994,207</u>

SPECIAL REVENUE FUNDS

Classroom Site - to account for the financial activity for the portion of state sales tax collections and permanent state school fund earnings as approved by the voters in 2000.

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

Title I Grants - to account for financial assistance received for the purpose of improving the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

Professional Development and Technology Grants - to account for financial assistance received to increase student academic achievement through improving teacher quality.

Promote Informed Parent Choice - to account for financial assistance received to promote parent choices in the education of their students.

Limited English & Immigrant Students - to account for financial assistance received for educational services and costs for limited English and immigrant children.

Special Education Grants - to account for supplemental financial assistance received to provide a free, appropriate public education to disabled children.

Vocational Education - to account for financial assistance received for preparation of individuals for employment or advancement in a career not requiring a baccalaureate or advanced degree.

Medicaid Reimbursement - to account for reimbursements related to specific health services provided to eligible students.

National Forest Fees - to account for monies allocated for the purposes of benefiting public schools and public roads in counties where national forests are situated.

E-Rate - to account for monies received to reimburse the District for broadband internet and telecommunications costs.

Other Federal Projects - to account for financial assistance received for other supplemental federal projects.

State Vocational Education - to account for financial assistance received for the preparation of individuals for employment.

College Credit Exam Incentives - to account for financial assistance received for college credit exams.

Results-based Funding - to account for financial assistance received for academic performance results in accordance with A.R.S. §15-249.08.

Rural Assistance - to account for state assistance received to assist homeless or special needs pupils.

Other State Projects - to account for financial assistance received for other State projects.

School Plant - to account for proceeds from the sale or lease of school property.

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

Civic Center - to account for monies received from the rental of school facilities for civic activities.

Community School - to account for activity related to academic and skill development for all citizens.

Auxiliary Operations - to account for activity arising from bookstore, athletic and miscellaneous District related operations.

Extracurricular Activities Fees Tax Credit - to account for activity related to monies collected in support of extracurricular activities to be taken as a tax credit by the tax payer in accordance with A.R.S. §43-1089.01.

Gifts and Donations - to account for activity related to gifts, donations, bequests and private grants made to the District.

Fingerprint - to account for activity of fingerprinting employees as mandated by the State.

Insurance Proceeds - to account for the monies received from insurance claims.

Textbooks - to account for monies received from students to replace or repair lost or damaged textbooks.

Litigation Recovery - to account for monies received for and derived from litigation.

Indirect Costs - to account for monies received from federal projects for administrative costs.

Insurance Refund - to account for insurance premium payments that are refunded to the District.

Grants and Gifts to Teachers - to account for grants and gifts under \$1,500 received from private sources that are designated for use by a teacher for instructional purposes.

Advertisement - to account for monies received from the sale of advertising.

District Services - to account for the operation of District functions that provide goods or services to other District departments on a cost-reimbursement basis.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Classroom Site	Instructional Improvement	Title I Grants
<u>ASSETS</u>			
Cash and investments	\$ 694,898	\$ 193,538	\$
Accounts receivable			
Due from governmental entities	214,517	104,556	93,422
Inventory			
Total assets	\$ 909,415	\$ 298,094	\$ 93,422
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u>			
<u>AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$ 2,497
Due to other funds			67,109
Accrued payroll and employee benefits			23,816
Unearned revenues			
Total liabilities			93,422
Deferred inflows of resources:			
Unavailable revenues - intergovernmental			
Fund balances (deficits):			
Nonspendable			
Restricted	909,415	298,094	
Unassigned			
Total fund balances	909,415	298,094	
 Total liabilities, deferred inflows of resources and fund balances	\$ 909,415	\$ 298,094	\$ 93,422

<u>Promote Informed Parent Choice</u>	<u>Limited English & Immigrant Students</u>	<u>Special Education Grants</u>	<u>Vocational Education</u>	<u>E-Rate</u>	<u>Other Federal Projects</u>
\$	\$	\$	\$	\$ 135,700	\$
20,332	3,209	51,691	22,099	5,163	
<u>\$ 20,332</u>	<u>\$ 3,209</u>	<u>\$ 51,691</u>	<u>\$ 22,099</u>	<u>\$ 140,863</u>	<u>\$</u>
\$	\$	\$	\$	\$ 30,535	\$
20,332	3,209	47,344 4,347	18,657 3,442		159,391
<u>20,332</u>	<u>3,209</u>	<u>51,691</u>	<u>22,099</u>	<u>30,535</u>	<u>1,420</u> <u>160,811</u>
<u>9,077</u>		<u>46</u>	<u>14,368</u>		
<u>(9,077)</u>		<u>(46)</u>	<u>(14,368)</u>	110,328	<u>(160,811)</u>
<u>(9,077)</u>		<u>(46)</u>	<u>(14,368)</u>	<u>110,328</u>	<u>(160,811)</u>
<u>\$ 20,332</u>	<u>\$ 3,209</u>	<u>\$ 51,691</u>	<u>\$ 22,099</u>	<u>\$ 140,863</u>	<u>\$</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	State Vocational Education	College Credit Exam Incentives	Results-based Funding
<u>ASSETS</u>			
Cash and investments	\$ 592	\$ 9,900	\$ 104,491
Accounts receivable			
Due from governmental entities			
Inventory			
Total assets	\$ 592	\$ 9,900	\$ 104,491
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$
Due to other funds			
Accrued payroll and employee benefits			
Unearned revenues	592		
Total liabilities	592		
Deferred inflows of resources:			
Unavailable revenues - intergovernmental			
Fund balances (deficits):			
Nonspendable			
Restricted		9,900	104,491
Unassigned			
Total fund balances		9,900	104,491
 Total liabilities, deferred inflows of resources and fund balances	 \$ 592	 \$ 9,900	 \$ 104,491

<u>Other State Projects</u>	<u>Food Service</u>	<u>Civic Center</u>	<u>Community School</u>	<u>Extracurricular Activities Fees Tax Credit</u>	<u>Gifts and Donations</u>
\$ 13,634	\$ 1,040,455	\$ 28,032	\$ 155,882	\$ 128,812	\$ 89,575
25,213	60,042				20,642
	41,240				
<u>\$ 38,847</u>	<u>\$ 1,141,737</u>	<u>\$ 28,032</u>	<u>\$ 155,882</u>	<u>\$ 128,812</u>	<u>\$ 110,217</u>
\$	\$ 99,039	\$	\$	\$	\$ 2,562
3,547			45,908		
<u>3,547</u>	<u>99,039</u>		<u>45,908</u>		<u>2,562</u>
35,300	41,240 1,001,458	28,032	109,974	128,812	107,655
<u>35,300</u>	<u>1,042,698</u>	<u>28,032</u>	<u>109,974</u>	<u>128,812</u>	<u>107,655</u>
<u>\$ 38,847</u>	<u>\$ 1,141,737</u>	<u>\$ 28,032</u>	<u>\$ 155,882</u>	<u>\$ 128,812</u>	<u>\$ 110,217</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Fingerprint	Textbooks	Insurance Refund
<u>ASSETS</u>			
Cash and investments	\$ 1,384	\$ 100	\$ 1,416
Accounts receivable			
Due from governmental entities			
Inventory			
Total assets	\$ 1,384	\$ 100	\$ 1,416
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u>			
<u>AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$
Due to other funds			
Accrued payroll and employee benefits			
Unearned revenues			
Total liabilities			
Deferred inflows of resources:			
Unavailable revenues - intergovernmental			
Fund balances (deficits):			
Nonspendable			
Restricted	1,384	100	1,416
Unassigned			
Total fund balances	1,384	100	1,416
 Total liabilities, deferred inflows of resources and fund balances	\$ 1,384	\$ 100	\$ 1,416

Totals

\$ 2,598,409
20,642
600,244
41,240
\$ 3,260,535

\$ 134,633
316,042
81,060
2,012
533,747

23,491

41,240
2,846,359
(184,302)
2,703,297

\$ 3,260,535

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Classroom Site	Instructional Improvement	Title I Grants
Revenues:			
Other local	\$ 21,711	\$ 4,253	\$
State aid and grants	2,574,204	242,912	
Federal aid, grants and reimbursements			2,311,780
Total revenues	2,595,915	247,165	2,311,780
Expenditures:			
Current -			
Instruction	2,393,394	207,075	1,353,761
Support services - students and staff	84,219	1,781	613,246
Support services - administration			173,867
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			56,218
Total expenditures	2,477,613	208,856	2,197,092
Excess (deficiency) of revenues over expenditures	118,302	38,309	114,688
Other financing sources (uses):			
Transfers in			
Transfers out			(114,688)
Total other financing sources (uses)			(114,688)
Changes in fund balances	118,302	38,309	
Fund balances (deficits), beginning of year	791,113	259,785	
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ 909,415	\$ 298,094	\$

<u>Professional Development and Technology Grants</u>	<u>Promote Informed Parent Choice</u>	<u>Limited English & Immigrant Students</u>	<u>Special Education Grants</u>	<u>Vocational Education</u>	<u>E-Rate</u>
\$	\$	\$	\$	\$	\$
<u>197,663</u>	<u>128,609</u>	<u>231,995</u>	<u>1,027,842</u>	<u>358,754</u>	<u>306,931</u>
<u>197,663</u>	<u>128,609</u>	<u>231,995</u>	<u>1,027,842</u>	<u>358,754</u>	<u>306,931</u>
	104,539	98,554	190,983	257,330	
184,312	25,069	121,181	726,364	36,630	
3,581	1,247	790	7,643	4,589	261,476
			11,542	1,646	97,418
			41,703	70,508	58,732
<u>187,893</u>	<u>130,855</u>	<u>220,525</u>	<u>978,235</u>	<u>370,703</u>	<u>417,626</u>
<u>9,770</u>	<u>(2,246)</u>	<u>11,470</u>	<u>49,607</u>	<u>(11,949)</u>	<u>(110,695)</u>
<u>(9,770)</u>	<u>(6,831)</u>	<u>(11,470)</u>	<u>(49,653)</u>	<u>(2,419)</u>	
<u>(9,770)</u>	<u>(6,831)</u>	<u>(11,470)</u>	<u>(49,653)</u>	<u>(2,419)</u>	
	<u>(9,077)</u>		<u>(46)</u>	<u>(14,368)</u>	<u>(110,695)</u>
					221,023
<u>\$</u>	<u>\$ (9,077)</u>	<u>\$</u>	<u>\$ (46)</u>	<u>\$ (14,368)</u>	<u>\$ 110,328</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Other Federal Projects	State Vocational Education	College Credit Exam Incentives
Revenues:			
Other local	\$	\$	\$
State aid and grants		185,577	9,900
Federal aid, grants and reimbursements	83,589		
Total revenues	83,589	185,577	9,900
Expenditures:			
Current -			
Instruction	44,912	36,468	
Support services - students and staff	190,204	134,052	
Support services - administration	2,919	12,406	
Operation and maintenance of plant services		383	
Student transportation services		1,942	
Operation of non-instructional services			
Capital outlay	5,088	326	
Total expenditures	243,123	185,577	
Excess (deficiency) of revenues over expenditures	(159,534)		9,900
Other financing sources (uses):			
Transfers in			
Transfers out	(1,277)		
Total other financing sources (uses)	(1,277)		
Changes in fund balances	(160,811)		9,900
Fund balances (deficits), beginning of year			
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (160,811)	\$	\$ 9,900

<u>Results-based Funding</u>	<u>Other State Projects</u>	<u>Food Service</u>	<u>Civic Center</u>	<u>Community School</u>	<u>Extracurricular Activities Fees Tax Credit</u>
\$ 299,039	\$ 208,873	\$ 373,883	\$ 10,586	\$ 77,966	\$ 55,833
		3,481,969			
<u>299,039</u>	<u>208,873</u>	<u>3,855,852</u>	<u>10,586</u>	<u>77,966</u>	<u>55,833</u>
180,383	21,614			91,092	48,158
5,409	108,489			1,163	
8,756			249	4,575	
			7,096		
		3,731,612			142
	43,470			1,613	
<u>194,548</u>	<u>173,573</u>	<u>3,731,612</u>	<u>7,345</u>	<u>98,443</u>	<u>48,300</u>
<u>104,491</u>	<u>35,300</u>	<u>124,240</u>	<u>3,241</u>	<u>(20,477)</u>	<u>7,533</u>
		(184,316)			
		(184,316)			
<u>104,491</u>	<u>35,300</u>	<u>(60,076)</u>	<u>3,241</u>	<u>(20,477)</u>	<u>7,533</u>
		1,086,738	24,791	130,451	121,279
		16,036			
<u>\$ 104,491</u>	<u>\$ 35,300</u>	<u>\$ 1,042,698</u>	<u>\$ 28,032</u>	<u>\$ 109,974</u>	<u>\$ 128,812</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Gifts and Donations	Fingerprint	Textbooks
Revenues:			
Other local	\$ 199,739	\$ 24	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues	199,739	24	
Expenditures:			
Current -			
Instruction	76,043		
Support services - students and staff	34,422		
Support services - administration	9,814		
Operation and maintenance of plant services			
Student transportation services	1,076		
Operation of non-instructional services			
Capital outlay	68,427		
Total expenditures	189,782		
Excess (deficiency) of revenues over expenditures	9,957	24	
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	9,957	24	
Fund balances (deficits), beginning of year	97,698	1,360	100
Increase (decrease) in reserve for inventory			
Fund balances, end of year	\$ 107,655	\$ 1,384	\$ 100

<u>Insurance Refund</u>	<u>Grants and Gifts to Teachers</u>	<u>Totals</u>
\$ 1,173	\$	\$ 745,168
		3,520,505
		8,129,132
<u>1,173</u>		<u>12,394,805</u>
		5,104,306
		2,266,541
4,038		495,950
		104,897
		16,348
		3,731,612
		346,085
<u>4,038</u>		<u>12,065,739</u>
<u>(2,865)</u>		<u>329,066</u>
	1,855	1,855
		(380,424)
	<u>1,855</u>	<u>(378,569)</u>
<u>(2,865)</u>	<u>1,855</u>	<u>(49,503)</u>
4,281	(1,855)	2,736,764
		16,036
<u>\$ 1,416</u>	<u>\$</u>	<u>\$ 2,703,297</u>

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Classroom Site		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 21,711	\$ 21,711
State aid and grants		2,574,204	2,574,204
Federal aid, grants and reimbursements			
Total revenues		<u>2,595,915</u>	<u>2,595,915</u>
Expenditures:			
Current -			
Instruction	3,211,010	2,393,394	817,616
Support services - students and staff	109,431	84,219	25,212
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>3,320,441</u>	<u>2,477,613</u>	<u>842,828</u>
Excess (deficiency) of revenues over expenditures	<u>(3,320,441)</u>	<u>118,302</u>	<u>3,438,743</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Insurance recoveries			
Total other financing sources (uses)			
Changes in fund balances	<u>(3,320,441)</u>	<u>118,302</u>	<u>3,438,743</u>
Fund balances (deficits), beginning of year		791,113	791,113
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	<u>\$ (3,320,441)</u>	<u>\$ 909,415</u>	<u>\$ 4,229,856</u>

Instructional Improvement			Title I Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 4,253	\$ 4,253	\$	\$	\$
	242,912	242,912			
	<u>247,165</u>	<u>247,165</u>		<u>2,311,780</u>	<u>2,311,780</u>
				<u>2,311,780</u>	<u>2,311,780</u>
226,250	207,075	19,175	1,554,056	1,353,761	200,295
10,000	1,781	8,219	700,000	613,246	86,754
			200,000	173,867	26,133
			<u>100,000</u>	<u>56,218</u>	<u>43,782</u>
<u>236,250</u>	<u>208,856</u>	<u>27,394</u>	<u>2,554,056</u>	<u>2,197,092</u>	<u>356,964</u>
<u>(236,250)</u>	<u>38,309</u>	<u>274,559</u>	<u>(2,554,056)</u>	<u>114,688</u>	<u>2,668,744</u>
				(114,688)	(114,688)
				<u>(114,688)</u>	<u>(114,688)</u>
<u>(236,250)</u>	<u>38,309</u>	<u>274,559</u>	<u>(2,554,056)</u>		<u>2,554,056</u>
	259,785	259,785			
<u>\$ (236,250)</u>	<u>\$ 298,094</u>	<u>\$ 534,344</u>	<u>\$ (2,554,056)</u>	<u>\$</u>	<u>\$ 2,554,056</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Professional Development and Technology Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		197,663	197,663
Total revenues		197,663	197,663
Expenditures:			
Current -			
Instruction			
Support services - students and staff	204,293	184,312	19,981
Support services - administration	10,000	3,581	6,419
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	214,293	187,893	26,400
Excess (deficiency) of revenues over expenditures	(214,293)	9,770	224,063
Other financing sources (uses):			
Transfers in			
Transfers out		(9,770)	(9,770)
Insurance recoveries			
Total other financing sources (uses)		(9,770)	(9,770)
Changes in fund balances	(214,293)		214,293
Fund balances (deficits), beginning of year			
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (214,293)	\$	\$ 214,293

Promote Informed Parent Choice			Limited English & Immigrant Students		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	128,609	128,609		231,995	231,995
	128,609	128,609		231,995	231,995
111,488	104,539	6,949	125,702	98,554	27,148
27,000	25,069	1,931	150,000	121,181	28,819
3,000	1,247	1,753	1,000	790	210
<u>141,488</u>	<u>130,855</u>	<u>10,633</u>	<u>276,702</u>	<u>220,525</u>	<u>56,177</u>
<u>(141,488)</u>	<u>(2,246)</u>	<u>139,242</u>	<u>(276,702)</u>	<u>11,470</u>	<u>288,172</u>
	(6,831)	(6,831)		(11,470)	(11,470)
	<u>(6,831)</u>	<u>(6,831)</u>		<u>(11,470)</u>	<u>(11,470)</u>
<u>(141,488)</u>	<u>(9,077)</u>	<u>132,411</u>	<u>(276,702)</u>		<u>276,702</u>
<u>\$ (141,488)</u>	<u>\$ (9,077)</u>	<u>\$ 132,411</u>	<u>\$ (276,702)</u>	<u>\$</u>	<u>\$ 276,702</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Special Education Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		1,027,842	1,027,842
Total revenues		1,027,842	1,027,842
Expenditures:			
Current -			
Instruction	208,362	190,983	17,379
Support services - students and staff	800,000	726,364	73,636
Support services - administration	10,000	7,643	2,357
Operation and maintenance of plant services			
Student transportation services	20,000	11,542	8,458
Operation of non-instructional services			
Capital outlay	70,000	41,703	28,297
Total expenditures	1,108,362	978,235	130,127
Excess (deficiency) of revenues over expenditures	(1,108,362)	49,607	1,157,969
Other financing sources (uses):			
Transfers in			
Transfers out		(49,653)	(49,653)
Insurance recoveries			
Total other financing sources (uses)		(49,653)	(49,653)
Changes in fund balances	(1,108,362)	(46)	1,108,316
Fund balances (deficits), beginning of year			
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (1,108,362)	\$ (46)	\$ 1,108,316

Vocational Education			Medicaid Reimbursement		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	358,754	358,754		187,251	187,251
	358,754	358,754		187,251	187,251
191,373	257,330	(65,957)	104,000	18,223	85,777
36,630	36,630		10,000	1,077	8,923
4,589	4,589				
1,646	1,646				
70,508	70,508		90,000	32,658	57,342
304,746	370,703	(65,957)	204,000	51,958	152,042
(304,746)	(11,949)	292,797	(204,000)	135,293	339,293
	(2,419)	(2,419)		(36,164)	(36,164)
	(2,419)	(2,419)		(36,164)	(36,164)
(304,746)	(14,368)	290,378	(204,000)	99,129	303,129
				337,227	337,227
\$ (304,746)	\$ (14,368)	\$ 290,378	\$ (204,000)	\$ 436,356	\$ 640,356

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	National Forest Fees		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction		39,848	(39,848)
Support services - students and staff		115,535	(115,535)
Support services - administration		578	(578)
Operation and maintenance of plant services		756	(756)
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures		156,717	(156,717)
Excess (deficiency) of revenues over expenditures		(156,717)	(156,717)
Other financing sources (uses):			
Transfers in			
Transfers out			
Insurance recoveries			
Total other financing sources (uses)			
Changes in fund balances		(156,717)	(156,717)
Fund balances (deficits), beginning of year		240,302	240,302
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$	\$ 83,585	\$ 83,585

E-Rate			Other Federal Projects		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	306,931	306,931		83,589	83,589
	306,931	306,931		83,589	83,589
184,000	261,476	(77,476)	85,545	44,912	40,633
	97,418	(97,418)	230,000	190,204	39,796
			10,000	2,919	7,081
	58,732	(58,732)	10,000	5,088	4,912
184,000	417,626	(233,626)	335,545	243,123	92,422
(184,000)	(110,695)	73,305	(335,545)	(159,534)	176,011
				(1,277)	(1,277)
				(1,277)	(1,277)
(184,000)	(110,695)	73,305	(335,545)	(160,811)	174,734
	221,023	221,023			
\$ (184,000)	\$ 110,328	\$ 294,328	\$ (335,545)	\$ (160,811)	\$ 174,734

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	State Vocational Education		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants		185,577	185,577
Federal aid, grants and reimbursements			
Total revenues	(55,856)	185,577	185,577
Expenditures:			
Current -			
Instruction		36,468	(36,468)
Support services - students and staff	55,856	134,052	(78,196)
Support services - administration		12,406	(12,406)
Operation and maintenance of plant services		383	(383)
Student transportation services		1,942	(1,942)
Operation of non-instructional services			
Capital outlay		326	(326)
Total expenditures	55,856	185,577	(129,721)
Excess (deficiency) of revenues over expenditures	(55,856)		55,856
Other financing sources (uses):			
Transfers in			
Transfers out			
Insurance recoveries			
Total other financing sources (uses)			
Changes in fund balances	(55,856)		55,856
Fund balances (deficits), beginning of year			
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (55,856)	\$	\$ 55,856

College Credit Exam Incentives			Results-based Funding		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 9,900	\$ 9,900	\$	\$ 299,039	\$ 299,039
	<u>9,900</u>	<u>9,900</u>		<u>299,039</u>	<u>299,039</u>
10,000		10,000	259,039	180,383	78,656
			20,000	5,409	14,591
			20,000	8,756	11,244
<u>10,000</u>		<u>10,000</u>	<u>299,039</u>	<u>194,548</u>	<u>104,491</u>
<u>(10,000)</u>	<u>9,900</u>	<u>19,900</u>	<u>(299,039)</u>	<u>104,491</u>	<u>403,530</u>
<u>(10,000)</u>	<u>9,900</u>	<u>19,900</u>	<u>(299,039)</u>	<u>104,491</u>	<u>403,530</u>
<u>\$ (10,000)</u>	<u>\$ 9,900</u>	<u>\$ 19,900</u>	<u>\$ (299,039)</u>	<u>\$ 104,491</u>	<u>\$ 403,530</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Rural Assistance		Variance - Positive (Negative)
	Budget	Non-GAAP Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants		62,392	62,392
Federal aid, grants and reimbursements			
Total revenues		<u>62,392</u>	<u>62,392</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>62,392</u>	<u>62,392</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Insurance recoveries			
Total other financing sources (uses)			
Changes in fund balances		<u>62,392</u>	<u>62,392</u>
Fund balances (deficits), beginning of year			
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ 62,392</u>	<u>\$ 62,392</u>

Other State Projects			School Plant		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	208,873	208,873		11,987	11,987
	<u>208,873</u>	<u>208,873</u>		<u>11,987</u>	<u>11,987</u>
101,204	21,614	79,590			
170,000	108,489	61,511	10,500		10,500
80,000	43,470	36,530			
<u>351,204</u>	<u>173,573</u>	<u>177,631</u>	<u>10,500</u>		<u>10,500</u>
<u>(351,204)</u>	<u>35,300</u>	<u>386,504</u>	<u>(10,500)</u>	<u>11,987</u>	<u>22,487</u>
<u>(351,204)</u>	<u>35,300</u>	<u>386,504</u>	<u>(10,500)</u>	<u>11,987</u>	<u>22,487</u>
				18,065	18,065
<u>\$ (351,204)</u>	<u>\$ 35,300</u>	<u>\$ 386,504</u>	<u>\$ (10,500)</u>	<u>\$ 30,052</u>	<u>\$ 40,552</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Food Service		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 373,883	\$ 373,883
State aid and grants			
Federal aid, grants and reimbursements		3,481,969	3,481,969
Total revenues		<u>3,855,852</u>	<u>3,855,852</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	4,000,000	3,731,612	268,388
Capital outlay			
Total expenditures	<u>4,000,000</u>	<u>3,731,612</u>	<u>268,388</u>
Excess (deficiency) of revenues over expenditures	<u>(4,000,000)</u>	<u>124,240</u>	<u>4,124,240</u>
Other financing sources (uses):			
Transfers in			
Transfers out		(184,316)	(184,316)
Insurance recoveries			
Total other financing sources (uses)		<u>(184,316)</u>	<u>(184,316)</u>
Changes in fund balances	<u>(4,000,000)</u>	<u>(60,076)</u>	<u>3,939,924</u>
Fund balances (deficits), beginning of year		1,086,738	1,086,738
Increase (decrease) in reserve for inventory		16,036	16,036
Fund balances (deficits), end of year	<u>\$ (4,000,000)</u>	<u>\$ 1,042,698</u>	<u>\$ 5,042,698</u>

Civic Center			Community School		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 10,586	\$ 10,586	\$	\$ 77,966	\$ 77,966
	<u>10,586</u>	<u>10,586</u>		<u>77,966</u>	<u>77,966</u>
1,000	249	751	100,000	91,092	8,908
24,000	7,096	16,904	5,000	1,163	3,837
			10,000	4,575	5,425
			5,000	1,613	3,387
<u>25,000</u>	<u>7,345</u>	<u>17,655</u>	<u>120,000</u>	<u>98,443</u>	<u>21,557</u>
<u>(25,000)</u>	<u>3,241</u>	<u>28,241</u>	<u>(120,000)</u>	<u>(20,477)</u>	<u>99,523</u>
<u>(25,000)</u>	<u>3,241</u>	<u>28,241</u>	<u>(120,000)</u>	<u>(20,477)</u>	<u>99,523</u>
	24,791	24,791		130,451	130,451
<u>\$ (25,000)</u>	<u>\$ 28,032</u>	<u>\$ 53,032</u>	<u>\$ (120,000)</u>	<u>\$ 109,974</u>	<u>\$ 229,974</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Auxiliary Operations		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 314,367	\$ 314,367
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>314,367</u>	<u>314,367</u>
Expenditures:			
Current -			
Instruction	300,000	272,528	27,472
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services	100,000	398	99,602
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>400,000</u>	<u>272,926</u>	<u>127,074</u>
Excess (deficiency) of revenues over expenditures	<u>(400,000)</u>	<u>41,441</u>	<u>441,441</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Insurance recoveries			
Total other financing sources (uses)			
Changes in fund balances	<u>(400,000)</u>	<u>41,441</u>	<u>441,441</u>
Fund balances (deficits), beginning of year		128,684	128,684
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	<u>\$ (400,000)</u>	<u>\$ 170,125</u>	<u>\$ 570,125</u>

Extracurricular Activities Fees Tax Credit			Gifts and Donations		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 55,833	\$ 55,833	\$	\$ 199,739	\$ 199,739
	<u>55,833</u>	<u>55,833</u>		<u>199,739</u>	<u>199,739</u>
90,000	48,158	41,842	76,043	76,043	
			34,422	34,422	
			9,814	9,814	
10,000	142	9,858	1,076	1,076	
			<u>28,645</u>	<u>68,427</u>	<u>(39,782)</u>
<u>100,000</u>	<u>48,300</u>	<u>51,700</u>	<u>150,000</u>	<u>189,782</u>	<u>(39,782)</u>
<u>(100,000)</u>	<u>7,533</u>	<u>107,533</u>	<u>(150,000)</u>	<u>9,957</u>	<u>159,957</u>
<u>(100,000)</u>	<u>7,533</u>	<u>107,533</u>	<u>(150,000)</u>	<u>9,957</u>	<u>159,957</u>
	121,279	121,279		97,698	97,698
<u>\$ (100,000)</u>	<u>\$ 128,812</u>	<u>\$ 228,812</u>	<u>\$ (150,000)</u>	<u>\$ 107,655</u>	<u>\$ 257,655</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Fingerprint		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 24	\$ 24
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		24	24
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		24	24
Other financing sources (uses):			
Transfers in			
Transfers out			
Insurance recoveries			
Total other financing sources (uses)			
Changes in fund balances		24	24
Fund balances (deficits), beginning of year		1,360	1,360
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$	\$ 1,384	\$ 1,384

Insurance Proceeds			Textbooks		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 115	\$ 115	\$	\$	\$
	<u>115</u>	<u>115</u>			
15,000	1,470	13,530			
<u>15,000</u>	<u>1,470</u>	<u>13,530</u>			
<u>(15,000)</u>	<u>(1,355)</u>	<u>13,645</u>			
	<u>7,322</u>	<u>7,322</u>			
	<u>7,322</u>	<u>7,322</u>			
<u>(15,000)</u>	<u>5,967</u>	<u>20,967</u>			
	3,894	3,894		100	100
<u>\$ (15,000)</u>	<u>\$ 9,861</u>	<u>\$ 24,861</u>	<u>\$</u>	<u>\$ 100</u>	<u>\$ 100</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Litigation Recovery		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 3,241	\$ 3,241
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues	<u> </u>	<u> 3,241</u>	<u> 3,241</u>
Expenditures:			
Current -			
Instruction	40,000		40,000
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> 40,000</u>	<u> </u>	<u> 40,000</u>
Excess (deficiency) of revenues over expenditures	<u> (40,000)</u>	<u> 3,241</u>	<u> 43,241</u>
Other financing sources (uses):			
Transfers in		34,309	34,309
Transfers out			
Insurance recoveries			
Total other financing sources (uses)	<u> </u>	<u> 34,309</u>	<u> 34,309</u>
Changes in fund balances	<u> (40,000)</u>	<u> 37,550</u>	<u> 77,550</u>
Fund balances (deficits), beginning of year		(37,550)	(37,550)
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	<u> \$ (40,000)</u>	<u> \$</u>	<u> \$ 40,000</u>

Indirect Costs			Insurance Refund		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 5,892	\$ 5,892	\$	\$ 1,173	\$ 1,173
	<u>5,892</u>	<u>5,892</u>		<u>1,173</u>	<u>1,173</u>
274,033	274,033		4,000	4,038	(38)
25,967	67,181	(41,214)			
	29,017	(29,017)			
	5,867	(5,867)			
<u>300,000</u>	<u>376,098</u>	<u>(76,098)</u>	<u>4,000</u>	<u>4,038</u>	<u>(38)</u>
<u>(300,000)</u>	<u>(370,206)</u>	<u>(70,206)</u>	<u>(4,000)</u>	<u>(2,865)</u>	<u>1,135</u>
	380,424	380,424			
	<u>380,424</u>	<u>380,424</u>			
<u>(300,000)</u>	<u>10,218</u>	<u>310,218</u>	<u>(4,000)</u>	<u>(2,865)</u>	<u>1,135</u>
	5,222	5,222		4,281	4,281
<u>\$ (300,000)</u>	<u>\$ 15,440</u>	<u>\$ 315,440</u>	<u>\$ (4,000)</u>	<u>\$ 1,416</u>	<u>\$ 5,416</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Grants and Gifts to Teachers		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
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			
Other financing sources (uses):			
Transfers in		1,855	1,855
Transfers out			
Insurance recoveries			
Total other financing sources (uses)		1,855	1,855
Changes in fund balances		1,855	1,855
Fund balances (deficits), beginning of year		(1,855)	(1,855)
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$	\$	\$

Advertisement			District Services		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 8,380	\$ 8,380	\$	\$ 81,119	\$ 81,119
	<u>8,380</u>	<u>8,380</u>		<u>81,119</u>	<u>81,119</u>
10,000	5,884	4,116	200,000	21,470	178,530
5,000	2,030	2,970	50,000	28,260	21,740
<u>15,000</u>	<u>7,914</u>	<u>7,086</u>	<u>250,000</u>	<u>49,730</u>	<u>200,270</u>
<u>(15,000)</u>	<u>466</u>	<u>15,466</u>	<u>(250,000)</u>	<u>31,389</u>	<u>281,389</u>
<u>(15,000)</u>	<u>466</u>	<u>15,466</u>	<u>(250,000)</u>	<u>31,389</u>	<u>281,389</u>
	5,224	5,224		12,176	12,176
<u>\$ (15,000)</u>	<u>\$ 5,690</u>	<u>\$ 20,690</u>	<u>\$ (250,000)</u>	<u>\$ 43,565</u>	<u>\$ 293,565</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 1,170,269	\$ 1,170,269
State aid and grants		3,582,897	3,582,897
Federal aid, grants and reimbursements		8,316,383	8,316,383
Total revenues		<u>13,069,549</u>	<u>13,069,549</u>
Expenditures:			
Current -			
Instruction	7,004,072	5,462,259	1,541,813
Support services - students and staff	2,562,632	2,383,153	179,479
Support services - administration	796,436	800,851	(4,415)
Operation and maintenance of plant services	75,467	174,304	(98,837)
Student transportation services	132,722	16,746	115,976
Operation of non-instructional services	4,000,000	3,760,629	239,371
Capital outlay	454,153	384,610	69,543
Total expenditures	<u>15,025,482</u>	<u>12,982,552</u>	<u>2,042,930</u>
Excess (deficiency) of revenues over expenditures	<u>(15,025,482)</u>	<u>86,997</u>	<u>15,112,479</u>
Other financing sources (uses):			
Transfers in		416,588	416,588
Transfers out		(416,588)	(416,588)
Insurance recoveries		7,322	7,322
Total other financing sources (uses)		<u>7,322</u>	<u>7,322</u>
Changes in fund balances	<u>(15,025,482)</u>	<u>94,319</u>	<u>15,119,801</u>
Fund balances (deficits), beginning of year		3,450,008	3,450,008
Increase (decrease) in reserve for inventory		16,036	16,036
Fund balances (deficits), end of year	<u>\$ (15,025,482)</u>	<u>\$ 3,560,363</u>	<u>\$ 18,585,845</u>

CAPITAL PROJECTS FUNDS

Unrestricted Capital Outlay - to account for transactions relating to the acquisition of capital items.

Adjacent Ways - to account for monies received to finance improvements of public ways adjacent to school property.

Energy and Water Savings - to account for capital investment monies, energy related rebate, or grant monies, and monies from other funding sources to fund energy or water savings projects in school facilities in accordance with A.R.S. §15-910.02.

Emergency Deficiencies Correction - to account for monies received from the School Facilities Board to correct emergency deficiencies.

Building Renewal - to account for monies received from the School Facilities Board that are used for infrastructure or for major upgrades, repairs, or renovations to areas, systems or buildings that will maintain or extend their useful life.

Building Renewal Grant - to account for building renewal grant monies requested from the School Facilities Board that are used for infrastructure or for major upgrades, repairs, or renovations to areas, systems, or buildings that will maintain or extend their useful life.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Unrestricted Capital Outlay	Adjacent Ways	Energy and Water Savings
<u>ASSETS</u>			
Cash and investments	\$ 1,164,743	\$ 5,935	\$ 141,447
Due from governmental entities	1,508		
Total assets	\$ 1,166,251	\$ 5,935	\$ 141,447
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 26,956	\$	\$
Total liabilities	26,956		
Fund balances:			
Restricted	1,139,295	5,935	141,447
Total fund balances	1,139,295	5,935	141,447
Total liabilities and fund balances	\$ 1,166,251	\$ 5,935	\$ 141,447

<u>Emergency Deficiencies Correction</u>	<u>Building Renewal</u>	<u>Building Renewal Grant</u>	<u>Totals</u>
\$ 1,349	\$ 35	\$ 2,849	\$ 1,316,358
			1,508
<u>\$ 1,349</u>	<u>\$ 35</u>	<u>\$ 2,849</u>	<u>\$ 1,317,866</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 26,956</u>
			26,956
<u>1,349</u>	<u>35</u>	<u>2,849</u>	<u>1,290,910</u>
<u>1,349</u>	<u>35</u>	<u>2,849</u>	<u>1,290,910</u>
<u>\$ 1,349</u>	<u>\$ 35</u>	<u>\$ 2,849</u>	<u>\$ 1,317,866</u>

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Unrestricted Capital Outlay	Adjacent Ways	Energy and Water Savings
Revenues:			
Other local	\$ 16,960	\$ 104	\$
Property taxes	28,212		
State aid and grants	4,807		
Federal aid, grants and reimbursements			247,052
Total revenues	49,979	104	247,052
Expenditures:			
Capital outlay	1,252,507		
Debt service -			
Principal retirement			374,319
Interest and fiscal charges			247,052
Total expenditures	1,252,507		621,371
Excess (deficiency) of revenues over expenditures	(1,202,528)	104	(374,319)
Other financing sources (uses):			
Transfers in	500,000		374,319
Total other financing sources (uses)	500,000		374,319
Changes in fund balances	(702,528)	104	
Fund balances, beginning of year	1,841,823	5,831	141,447
Fund balances, end of year	\$ 1,139,295	\$ 5,935	\$ 141,447

<u>Emergency Deficiencies Correction</u>	<u>Building Renewal</u>	<u>Building Renewal Grant</u>	<u>Totals</u>
\$	\$	\$	\$ 17,064
			28,212
		286,735	291,542
			247,052
		<u>286,735</u>	<u>583,870</u>
		327,044	1,579,551
			374,319
			247,052
		<u>327,044</u>	<u>2,200,922</u>
		<u>(40,309)</u>	<u>(1,617,052)</u>
			874,319
			874,319
		<u>(40,309)</u>	<u>(742,733)</u>
1,349	35	43,158	2,033,643
<u>\$ 1,349</u>	<u>\$ 35</u>	<u>\$ 2,849</u>	<u>\$ 1,290,910</u>

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Unrestricted Capital Outlay		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 16,960	\$ 16,960
Property taxes		28,212	28,212
State aid and grants		4,807	4,807
Federal aid, grants and reimbursements			
Total revenues		49,979	49,979
Expenditures:			
Capital outlay	2,832,273	1,252,507	1,579,766
Debt service - Principal retirement			
Interest and fiscal charges			
Total expenditures	2,832,273	1,252,507	1,579,766
Excess (deficiency) of revenues over expenditures	(2,832,273)	(1,202,528)	1,629,745
Other financing sources (uses):			
Transfers in		500,000	500,000
Total other financing sources (uses)		500,000	500,000
Changes in fund balances	(2,832,273)	(702,528)	2,129,745
Fund balances, beginning of year		1,841,823	1,841,823
Fund balances (deficits), end of year	\$ (2,832,273)	\$ 1,139,295	\$ 3,971,568

Adjacent Ways			Energy and Water Savings		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 104	\$ 104	\$	\$	\$
				247,052	247,052
	104	104		247,052	247,052
5,830		5,830			
			374,319	374,319	
				247,052	(247,052)
5,830		5,830	374,319	621,371	(247,052)
(5,830)	104	5,934	(374,319)	(374,319)	
				374,319	374,319
				374,319	374,319
(5,830)	104	5,934	(374,319)		374,319
	5,831	5,831		141,447	141,447
\$ (5,830)	\$ 5,935	\$ 11,765	\$ (374,319)	\$ 141,447	\$ 515,766

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Emergency Deficiencies Correction		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
Property taxes			
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Capital outlay			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures			
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)			
Changes in fund balances			
Fund balances, beginning of year		1,349	1,349
Fund balances (deficits), end of year	\$	\$ 1,349	\$ 1,349

Building Renewal			Building Renewal Grant		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				286,735	286,735
				<u>286,735</u>	<u>286,735</u>
			400,000	327,044	72,956
			<u>400,000</u>	<u>327,044</u>	<u>72,956</u>
			<u>(400,000)</u>	<u>(40,309)</u>	<u>359,691</u>
			<u>(400,000)</u>	<u>(40,309)</u>	<u>359,691</u>
	35	35		43,158	43,158
<u>\$</u>	<u>\$ 35</u>	<u>\$ 35</u>	<u>\$ (400,000)</u>	<u>\$ 2,849</u>	<u>\$ 402,849</u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 17,064	\$ 17,064
Property taxes		28,212	28,212
State aid and grants		291,542	291,542
Federal aid, grants and reimbursements		247,052	247,052
Total revenues		<u>583,870</u>	<u>583,870</u>
Expenditures:			
Capital outlay	3,238,103	1,579,551	1,658,552
Debt service -			
Principal retirement	374,319	374,319	
Interest and fiscal charges		247,052	(247,052)
Total expenditures	<u>3,612,422</u>	<u>2,200,922</u>	<u>1,411,500</u>
Excess (deficiency) of revenues over expenditures	<u>(3,612,422)</u>	<u>(1,617,052)</u>	<u>1,995,370</u>
Other financing sources (uses):			
Transfers in		874,319	874,319
Total other financing sources (uses)		<u>874,319</u>	<u>874,319</u>
Changes in fund balances	<u>(3,612,422)</u>	<u>(742,733)</u>	<u>2,869,689</u>
Fund balances, beginning of year		2,033,643	2,033,643
Fund balances (deficits), end of year	<u>\$ (3,612,422)</u>	<u>\$ 1,290,910</u>	<u>\$ 4,903,332</u>

AGENCY FUNDS

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

Employee Withholding - to account for voluntary deductions temporarily held by the District as an agent.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	<u>Student Activities</u>	<u>Employee Withholding</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and investments	\$ 238,400	\$ 2,774,160	\$ 3,012,560
Total assets	<u>\$ 238,400</u>	<u>\$ 2,774,160</u>	<u>\$ 3,012,560</u>
<u>LIABILITIES</u>			
Deposits held for others	\$	\$ 2,774,160	\$ 2,774,160
Due to student groups	238,400		238,400
Total liabilities	<u>\$ 238,400</u>	<u>\$ 2,774,160</u>	<u>\$ 3,012,560</u>

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>STUDENT ACTIVITIES FUND</u>				
<u>Assets</u>				
Cash and investments	\$ <u>221,823</u>	\$ <u>600,051</u>	\$ <u>583,474</u>	\$ <u>238,400</u>
Total assets	\$ <u><u>221,823</u></u>	\$ <u><u>600,051</u></u>	\$ <u><u>583,474</u></u>	\$ <u><u>238,400</u></u>
<u>Liabilities</u>				
Due to student groups	\$ <u>221,823</u>	\$ <u>600,051</u>	\$ <u>583,474</u>	\$ <u>238,400</u>
Total liabilities	\$ <u><u>221,823</u></u>	\$ <u><u>600,051</u></u>	\$ <u><u>583,474</u></u>	\$ <u><u>238,400</u></u>
<u>EMPLOYEE WITHHOLDING FUND</u>				
<u>Assets</u>				
Cash and investments	\$ <u>2,751,338</u>	\$ <u>3,527,638</u>	\$ <u>3,504,816</u>	\$ <u>2,774,160</u>
Total assets	\$ <u><u>2,751,338</u></u>	\$ <u><u>3,527,638</u></u>	\$ <u><u>3,504,816</u></u>	\$ <u><u>2,774,160</u></u>
<u>Liabilities</u>				
Deposits held for others	\$ <u>2,751,338</u>	\$ <u>3,527,638</u>	\$ <u>3,504,816</u>	\$ <u>2,774,160</u>
Total liabilities	\$ <u><u>2,751,338</u></u>	\$ <u><u>3,527,638</u></u>	\$ <u><u>3,504,816</u></u>	\$ <u><u>2,774,160</u></u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ <u>2,973,161</u>	\$ <u>4,127,689</u>	\$ <u>4,088,290</u>	\$ <u>3,012,560</u>
Total assets	\$ <u><u>2,973,161</u></u>	\$ <u><u>4,127,689</u></u>	\$ <u><u>4,088,290</u></u>	\$ <u><u>3,012,560</u></u>
<u>Liabilities</u>				
Deposits held for others	\$ <u>2,751,338</u>	\$ <u>3,527,638</u>	\$ <u>3,504,816</u>	\$ <u>2,774,160</u>
Due to student groups	<u>221,823</u>	<u>600,051</u>	<u>583,474</u>	<u>238,400</u>
Total liabilities	\$ <u><u>2,973,161</u></u>	\$ <u><u>4,127,689</u></u>	\$ <u><u>4,088,290</u></u>	\$ <u><u>3,012,560</u></u>

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STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Financial Trends

These schedules contain information on financial trends to help the reader understand how the District's financial position and financial activities have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenue.

Debt Capacity

These schedules present information to help the reader evaluate the District's current levels of outstanding debt as well as assess the District's ability to make debt payments and/or issue additional debt in the future.

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment in which the District's financial activities take place and to help make comparisons with other school districts.

Operating Information

These schedules contain information about the District's operations and various resources to help the reader draw conclusions as to how the District's financial information relates to the services provided by the District.

Note: For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to five percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

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NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Position:					
Net investment in capital assets	\$ 37,486,289	\$ 38,529,030	\$ 40,119,052	\$ 39,123,617	\$ 43,014,187
Restricted	4,178,509	4,883,871	3,693,321	3,633,377	3,309,623
Unrestricted	<u>(30,070,102)</u>	<u>(31,752,175)</u>	<u>(33,679,724)</u>	<u>(29,636,142)</u>	<u>5,357,054</u>
Total net position	<u><u>\$ 11,594,696</u></u>	<u><u>\$ 11,660,726</u></u>	<u><u>\$ 10,132,649</u></u>	<u><u>\$ 13,120,852</u></u>	<u><u>\$ 51,680,864</u></u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Position:					
Net investment in capital assets	\$ 44,433,464	\$ 46,424,928	\$ 48,067,811	\$ 50,149,015	\$ 51,598,795
Restricted	2,945,307	3,291,140	3,634,815	2,561,269	2,428,078
Unrestricted	<u>5,978,755</u>	<u>6,987,397</u>	<u>7,299,567</u>	<u>4,806,543</u>	<u>5,157,240</u>
Total net position	<u><u>\$ 53,357,526</u></u>	<u><u>\$ 56,703,465</u></u>	<u><u>\$ 59,002,193</u></u>	<u><u>\$ 57,516,827</u></u>	<u><u>\$ 59,184,113</u></u>

Source: The source of this information is the District's financial records.

Note: The decrease in unrestricted net position during fiscal year 2015 is due to the implementation of the pension reporting standards.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	2018	2017	2016	2015	2014
Expenses					
Instruction	\$ 24,072,866	\$ 22,408,932	\$ 23,525,935	\$ 22,440,680	\$ 22,833,252
Support services - students and staff	5,449,204	5,276,967	5,483,484	4,905,221	5,011,712
Support services - administration	4,960,490	4,162,846	4,478,669	4,461,827	5,605,931
Operation and maintenance of plant services	5,636,155	5,867,444	6,604,096	5,936,508	5,942,992
Student transportation services	1,636,593	1,450,864	1,695,230	1,429,372	1,448,341
Operation of non-instructional services	4,135,684	3,996,101	3,766,708	3,467,581	3,290,374
Interest on long-term debt	247,052	247,052	247,052	185,289	
Total expenses	46,138,044	43,410,206	45,801,174	42,826,478	44,132,602
Program Revenues					
Charges for services:					
Instruction	1,372,292	524,312	898,129	819,582	888,926
Operation of non-instructional services	352,739	542,971	645,256	553,264	541,492
Other activities	75,289	72,268	26,608	9,995	11,552
Operating grants and contributions	9,139,458	9,069,827	8,931,060	8,955,372	8,983,843
Capital grants and contributions	454,387	684,547	430,224	663,486	845,392
Total program revenues	11,394,165	10,893,925	10,931,277	11,001,699	11,271,205
 Net (Expense)/Revenue	 \$ (34,743,879)	 \$ (32,516,281)	 \$ (34,869,897)	 \$ (31,824,779)	 \$ (32,861,397)

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses					
Instruction	\$ 23,435,167	\$ 23,336,434	\$ 23,181,026	\$ 24,213,118	\$ 26,653,269
Support services - students and staff	5,563,174	5,414,032	5,141,271	5,891,203	6,449,607
Support services - administration	4,376,413	4,651,401	4,194,317	4,853,542	4,696,821
Operation and maintenance of plant services	7,416,269	6,417,548	5,469,394	6,013,804	6,750,628
Student transportation services	1,045,587	1,014,229	955,687	1,478,335	1,533,694
Operation of non-instructional services	3,467,143	3,167,870	3,137,343	3,491,665	3,184,950
Interest on long-term debt					1,225,785
Total expenses	<u>45,303,753</u>	<u>44,001,514</u>	<u>42,079,038</u>	<u>45,941,667</u>	<u>50,494,754</u>
Program Revenues					
Charges for services:					
Instruction	1,134,003	1,076,381	702,344	668,149	772,501
Operation of non-instructional services	377,753	482,218	486,621	831,300	1,058,359
Other activities	41,880	43,684	69,121	357,116	48,010
Operating grants and contributions	10,346,138	9,289,318	10,861,067	8,884,945	9,087,172
Capital grants and contributions	836,780	1,405,375	869,134	435,009	986,987
Total program revenues	<u>12,736,554</u>	<u>12,296,976</u>	<u>12,988,287</u>	<u>11,176,519</u>	<u>11,953,029</u>
Net (Expense)/Revenue	<u>\$ (32,567,199)</u>	<u>\$ (31,704,538)</u>	<u>\$ (29,090,751)</u>	<u>\$ (34,765,148)</u>	<u>\$ (38,541,725)</u>

Source: The source of this information is the District's financial records.

(Concluded)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
GENERAL REVENUES AND TOTAL CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	2018	2017	2016	2015	2014
Net (Expense)/Revenue	\$ (34,743,879)	\$ (32,516,281)	\$ (34,869,897)	\$ (31,824,779)	\$ (32,861,397)
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	6,242,512	6,396,266	6,814,673	6,183,049	6,735,592
Property taxes, levied for capital outlay		701,519	183,584	23,704	21,276
Investment income	102,867	5,960	1,771	2,347	1,882
Unrestricted county aid	979,476	960,056	1,024,971	1,089,235	1,083,233
Unrestricted state aid	27,159,885	25,852,900	25,948,981	24,850,383	23,309,790
Unrestricted federal aid	187,251	127,657	339,244	285,002	32,962
Total general revenues	34,671,991	34,044,358	34,313,224	32,433,720	31,184,735
Changes in Net Position	\$ (71,888)	\$ 1,528,077	\$ (556,673)	\$ 608,941	\$ (1,676,662)

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
GENERAL REVENUES AND TOTAL CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net (Expense)/Revenue	\$ (32,567,199)	\$ (31,704,538)	\$ (29,090,751)	\$ (34,765,148)	\$ (38,541,725)
General Revenues:					
Taxes:					
Property taxes, levied for general purposes	5,610,350	5,813,395	4,767,206	5,519,984	6,409,760
Property taxes, levied for debt service					2,364,655
Property taxes, levied for capital outlay	724	45,052	907,395	250,538	552,916
Investment income	4,526	14,177	14,318	61,672	129,017
Unrestricted county aid	1,120,660	1,006,745	867,640	692,271	
Unrestricted state aid	22,316,870	22,367,166	23,587,092	23,426,916	26,289,616
Unrestricted federal aid	168,130	159,275	432,466	3,146,481	
Total general revenues	<u>29,221,260</u>	<u>29,405,810</u>	<u>30,576,117</u>	<u>33,097,862</u>	<u>35,745,964</u>
Changes in Net Position	<u>\$ (3,345,939)</u>	<u>\$ (2,298,728)</u>	<u>\$ 1,485,366</u>	<u>\$ (1,667,286)</u>	<u>\$ (2,795,761)</u>

Source: The source of this information is the District's financial records.

Note: The Arizona State Legislature suspended county equalization payments to school districts for fiscal year 2008-09.

(Concluded)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund:					
Nondisposable	\$ 777,458	\$ 2,677,571	\$ 2,682,239	\$ 2,865,844	\$ 2,024,019
Unassigned	9,019,027	7,606,015	7,221,824	4,302,740	3,807,294
Total General Fund	\$ 9,796,485	\$ 10,283,586	\$ 9,904,063	\$ 7,168,584	\$ 5,831,313
All Other Governmental Funds:					
Nondisposable	\$ 41,240	\$ 25,204	\$ 39,488	\$ 9,556	\$ 407,991
Restricted	4,137,269	4,750,952	3,643,831	6,223,608	2,899,240
Unassigned	(213,910)	(1,855)	(20,365)	(78,437)	(16,262)
Total all other governmental funds	\$ 3,964,599	\$ 4,774,301	\$ 3,662,954	\$ 6,154,727	\$ 3,290,969

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund:					
Nonspendable	\$ 2,607,564	\$ 2,679,399	\$ 2,785,723	\$	\$
Unassigned	4,451,606	4,586,499	4,932,394		
Reserved				613,832	477,687
Unreserved				1,939,140	1,586,117
Total General Fund	<u>\$ 7,059,170</u>	<u>\$ 7,265,898</u>	<u>\$ 7,718,117</u>	<u>\$ 2,552,972</u>	<u>\$ 2,063,804</u>
All Other Governmental Funds:					
Nonspendable	\$ 419,728	\$ 378,731	\$ 379,176	\$	\$
Restricted	2,260,605	2,900,870	3,016,894		
Unassigned		(2,004)	(144,944)		
Reserved				55,421	68,948
Unreserved, reported in:					
Special revenue funds				2,244,864	2,329,197
Capital projects funds				1,814,760	1,503,224
Debt service fund				661,645	525,940
Total all other governmental funds	<u>\$ 2,680,333</u>	<u>\$ 3,277,597</u>	<u>\$ 3,251,126</u>	<u>\$ 4,776,690</u>	<u>\$ 4,427,309</u>

Source: The source of this information is the District's financial records.

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

(Concluded)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
GOVERNMENTAL FUNDS REVENUES
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Federal sources:					
Federal grants	\$ 5,081,466	\$ 5,291,190	\$ 5,848,153	\$ 5,936,588	\$ 5,725,910
National School Lunch Program	3,481,969	3,694,711	3,240,734	2,916,497	2,990,852
Total federal sources	<u>8,563,435</u>	<u>8,985,901</u>	<u>9,088,887</u>	<u>8,853,085</u>	<u>8,716,762</u>
State sources:					
State equalization assistance	24,280,377	23,434,614	23,522,069	22,521,165	21,000,432
State grants	765,781	211,449	191,545	340,421	191,669
School Facilities Board	286,735	270,606	94,372	578,636	734,523
Other revenues	2,817,116	2,418,286	2,426,912	2,223,246	2,309,367
Total state sources	<u>28,150,009</u>	<u>26,334,955</u>	<u>26,234,898</u>	<u>25,663,468</u>	<u>24,235,991</u>
Local sources:					
Property taxes	6,319,994	7,196,232	7,076,126	6,239,069	6,246,607
County aid	979,476	960,056	1,024,971	1,089,235	1,083,233
Food service sales	373,883	342,784	366,488	321,490	283,342
Investment income	102,867	5,960	1,771	2,347	2,058
Other revenues	1,672,822	1,161,181	1,529,229	1,299,041	1,377,686
Total local sources	<u>9,449,042</u>	<u>9,666,213</u>	<u>9,998,585</u>	<u>8,951,182</u>	<u>8,992,926</u>
Total revenues	<u><u>\$ 46,162,486</u></u>	<u><u>\$ 44,987,069</u></u>	<u><u>\$ 45,322,370</u></u>	<u><u>\$ 43,467,735</u></u>	<u><u>\$ 41,945,679</u></u>

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
GOVERNMENTAL FUNDS REVENUES
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Federal sources:					
Federal grants	\$ 7,947,065	\$ 7,688,892	\$ 7,824,514	\$ 6,375,868	\$ 6,909,803
State Fiscal Stabilization (ARRA)			432,466	3,146,481	
Education Jobs (ARRA)		16,469	1,073,039		
National School Lunch Program	2,744,351	2,455,401	2,426,939	2,752,115	2,048,724
Total federal sources	<u>10,691,416</u>	<u>10,160,762</u>	<u>11,756,958</u>	<u>12,274,464</u>	<u>8,958,527</u>
State sources:					
State equalization assistance	20,475,833	20,669,750	22,165,959	21,669,544	24,359,830
State grants	389,872	505,982	64,142	183,072	609,537
Other revenues	1,883,703	1,472,775	1,421,133	1,757,372	1,999,119
Total state sources	<u>22,749,408</u>	<u>22,648,507</u>	<u>23,651,234</u>	<u>23,609,988</u>	<u>26,968,486</u>
Local sources:					
Property taxes	6,139,340	5,838,045	6,035,404	5,930,160	8,739,577
County aid	1,120,660	1,006,745	867,640	692,271	
Food service sales	377,753	482,218	486,621	567,469	584,767
Investment income	4,526	14,177	14,518	61,672	129,017
Other revenues	1,402,977	1,636,735	1,008,027	1,443,520	1,680,840
Total local sources	<u>9,045,256</u>	<u>8,977,920</u>	<u>8,412,210</u>	<u>8,695,092</u>	<u>11,134,201</u>
Total revenues	<u>\$ 42,486,080</u>	<u>\$ 41,787,189</u>	<u>\$ 43,820,402</u>	<u>\$ 44,579,544</u>	<u>\$ 47,061,214</u>

Source: The source of this information is the District's financial records.

Note: The Arizona State Legislature suspended county equalization payments to school districts for fiscal year 2008-09.

(Concluded)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenditures:					
Current -					
Instruction	\$ 21,544,161	\$ 20,533,977	\$ 20,410,639	\$ 20,508,378	\$ 20,051,550
Support services - students and staff	5,435,952	5,343,852	5,216,378	4,792,224	4,913,457
Support services - administration	4,540,920	4,171,939	4,162,357	4,369,418	4,913,313
Operation and maintenance of plant services	5,719,277	5,857,887	6,138,384	6,348,486	5,814,636
Student transportation services	1,361,996	1,330,052	1,366,153	1,348,739	1,347,043
Operation of non-instructional services	4,033,108	3,917,178	3,698,297	3,372,165	3,212,163
Capital outlay	2,325,749	1,700,991	3,847,257	4,400,186	1,715,456
Debt service -					
Interest and fiscal charges	247,052	247,052	247,052	185,289	
Principal retirement	374,319	374,319	374,319		
Total expenditures	<u>\$ 45,582,534</u>	<u>\$ 43,477,247</u>	<u>\$ 45,460,836</u>	<u>\$ 45,324,885</u>	<u>\$ 41,967,618</u>
Expenditures for capitalized assets	\$ 891,137	\$ 332,758	\$ 264,750	\$ 3,644,827	\$ 746,563
Debt service as a percentage of noncapital expenditures	1%	1%	1%	0%	0%

(Continued)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenditures:					
Current -					
Instruction	\$ 19,979,335	\$ 20,060,538	\$ 20,875,644	\$ 21,239,567	\$ 23,379,962
Support services - students and staff	5,220,032	5,101,760	5,447,383	5,736,061	6,567,315
Support services - administration	4,532,917	4,291,553	4,424,062	4,592,638	4,295,785
Operation and maintenance of plant services	6,942,476	6,013,271	6,047,437	6,029,150	6,100,184
Student transportation services	830,545	798,821	813,024	849,427	865,796
Operation of non-instructional services	3,390,950	3,063,647	3,057,415	3,379,676	2,982,683
Capital outlay	2,362,979	2,776,578	2,011,502	2,167,907	3,034,290
Debt service -					
Interest and fiscal charges					20,000
Principal retirement					2,180,000
Total expenditures	<u>\$ 43,259,234</u>	<u>\$ 42,106,168</u>	<u>\$ 42,676,467</u>	<u>\$ 43,994,426</u>	<u>\$ 49,426,015</u>
Expenditures for capitalized assets	\$ 229,501	\$ 593,639	\$ 161,979	\$ 295,499	\$ 508,409
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0%	4%

Source: The source of this information is the District's financial records.

(Concluded)

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
OTHER FINANCING SOURCES AND USES AND NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Excess (deficiency) of revenues over expenditures	\$ 579,952	\$ 1,509,822	\$ (138,466)	\$ (1,857,150)	\$ (21,939)
Other financing sources (uses):					
Capital lease agreements				5,614,789	
Transfers in	1,256,598	1,958,049	387,081	296,355	371,284
Transfers out	(1,256,598)	(1,958,049)	(387,081)	(296,355)	(371,284)
Insurance recoveries	7,322				
Total other financing sources (uses)	7,322			5,614,789	
Changes in fund balances	\$ 587,274	\$ 1,509,822	\$ (138,466)	\$ 3,757,639	\$ (21,939)
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Excess (deficiency) of revenues over expenditures	\$ (773,154)	\$ (318,979)	\$ 1,143,935	\$ 585,118	\$ (2,364,801)
Other financing sources (uses):					
Transfers in	358,998	378,009	1,289,709	383,784	333,983
Transfers out	(358,998)	(378,009)	(1,289,709)	(383,784)	(333,983)
Total other financing sources (uses)					
Changes in fund balances	\$ (773,154)	\$ (318,979)	\$ 1,143,935	\$ 585,118	\$ (2,364,801)

Source: The source of this information is the District's financial records.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NET LIMITED ASSESSED VALUE AND FULL CASH VALUE OF TAXABLE PROPERTY BY CLASS
LAST TEN FISCAL YEARS

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commercial, Industrial, Utilities and Mining	\$ 69,084,932	\$ 66,414,514	\$ 67,698,388	\$ 67,274,676	\$ 66,475,415
Agricultural and Vacant	7,156,336	7,428,020	8,189,154	8,276,709	8,278,123
Residential (Owner Occupied)	29,020,768	28,047,483	27,808,387	28,267,349	32,454,833
Residential (Rental)	11,480,384	11,349,489	11,024,605	10,906,594	12,627,106
Railroad, Private Cars and Airlines	873,388	795,164	837,159	878,574	750,161
Historical Property	245,531	248,289	256,823	260,756	277,052
Certain Government Property Improvements	18,555				
Total	\$ 117,879,894	\$ 114,282,959	\$ 115,814,516	\$ 115,864,658	\$ 120,862,690
Gross Full Cash Value	\$ 1,073,727,883	\$ 1,054,465,130	\$ 1,035,334,466	\$ 1,024,131,950	\$ 1,057,679,595
Ratio of Net Limited Assessed Value to Gross Full Cash Value	11%	11%	11%	11%	11%
Total Direct Rate	5.90	6.82	6.55	5.88	5.61

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Commercial, Industrial, Utilities and Mining	\$ 72,052,584	\$ 72,946,427	\$ 79,448,555	\$ 80,948,281	\$ 79,914,380
Agricultural and Vacant	9,055,481	8,891,678	8,805,461	8,628,818	8,229,942
Residential (Owner Occupied)	37,472,296	44,495,621	50,665,379	47,486,777	43,330,902
Residential (Rental)	14,015,251	11,086,477	10,913,097	10,041,090	9,007,573
Railroad, Private Cars and Airlines	717,725	613,981	585,253	585,214	665,302
Historical Property	302,603	308,149	291,592	283,900	257,270
Certain Government Property Improvements					
Total	\$ 133,615,940	\$ 138,342,333	\$ 150,709,337	\$ 147,974,080	\$ 141,405,369
Gross Full Cash Value	\$ 1,164,547,766	\$ 1,222,714,962	\$ 1,241,827,641	\$ 1,241,461,962	\$ 1,132,316,212
Ratio of Net Limited Assessed Value to Gross Full Cash Value	11%	11%	12%	12%	12%
Total Direct Rate	5.16	4.68	4.41	4.34	6.49

Source: The source of this information is the State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. Primary taxes are used for general District operations. Secondary taxes are used to service District bonded debt requirements and other voter-approved overrides.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
NET FULL CASH ASSESSED VALUE OF TAXABLE PROPERTY BY CLASS
LAST TEN FISCAL YEARS

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commercial, Industrial, Utilities and Mining	\$ 70,732,495	\$ 67,826,278	\$ 68,357,520	\$ 68,652,936	\$ 66,827,731
Agricultural and Vacant	10,002,370	10,594,148	8,281,629	8,410,864	8,413,798
Residential (Owner Occupied)	32,499,584	31,478,951	28,456,853	28,286,701	32,481,625
Residential (Rental)	12,187,749	12,297,971	11,228,475	10,916,924	12,659,089
Railroad, Private Cars and Airlines	1,013,199	849,064	852,453	886,339	756,856
Historical Property	251,330	260,191	263,094	260,756	273,458
Certain Government Property Improvements	18,555				3,594
Total	\$ 126,705,282	\$ 123,306,603	\$ 117,440,024	\$ 117,414,520	\$ 121,416,151
Gross Full Cash Value	\$ 1,073,727,883	\$ 1,054,465,130	\$ 1,035,334,466	\$ 1,024,131,950	\$ 1,057,679,595
Ratio of Net Full Cash Value to Gross Full Cash Value	12%	12%	11%	11%	11%
Estimated Net Full Cash Value	908,206,646	883,500,051	811,634,791	801,405,009	839,759,842
Total Direct Rate	5.90	6.82	6.55	5.88	5.61

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Commercial, Industrial, Utilities and Mining	\$ 73,252,740	\$ 75,382,901	\$ 80,492,271	\$ 83,230,913	\$ 83,128,400
Agricultural and Vacant	9,413,432	9,587,128	9,742,155	10,159,005	9,365,188
Residential (Owner Occupied)	37,589,237	45,117,397	52,962,019	54,275,058	47,268,860
Residential (Rental)	14,111,982	11,344,063	11,266,885	10,887,462	9,726,163
Railroad, Private Cars and Airlines	730,503	680,959	692,215	683,687	744,166
Historical Property	304,839	314,080	313,985	314,408	290,965
Certain Government Property Improvements		2,354			
Total	\$ 135,402,733	\$ 142,428,882	\$ 155,469,530	\$ 159,550,533	\$ 150,523,742
Gross Full Cash Value	\$ 1,164,547,766	\$ 1,222,714,962	\$ 1,241,827,641	\$ 1,241,461,962	\$ 1,132,316,212
Ratio of Net Full Cash Value to Gross Full Cash Value	12%	12%	13%	13%	13%
Estimated Net Full Cash Value	935,073,952	992,856,504	1,085,334,090	1,094,650,707	994,544,766
Total Direct Rate	5.16	4.68	4.41	4.34	6.49

Source: The source of this information is the State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

Note: On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value. The net full cash assessed value is used for determining the District's bonding capacity and as the ceiling for net limited assessed value.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
PROPERTY TAX ASSESSMENT RATIOS
LAST TEN FISCAL YEARS**

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commercial, Industrial, Utilities and Mining	18 %	18 %	19 %	19 %	20 %
Agricultural and Vacant	15	15	16	16	16
Residential (Owner Occupied)	10	10	10	10	10
Residential (Rental)	10	10	10	10	10
Railroad, Private Cars and Airlines	15	14	15	16	15

<u>Class</u>	<u>Fiscal Year</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Commercial, Industrial, Utilities and Mining	20 %	20 %	21 %	22 %	23 %
Agricultural and Vacant	16	16	16	16	16
Residential (Owner Occupied)	10	10	10	10	10
Residential (Rental)	10	10	10	10	10
Railroad, Private Cars and Airlines	15	15	17	18	20

Source: The source of this information is the State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

Note: Additional classes of property exist, but do not amount to a significant portion of the District's total valuation, therefore they are not included on this schedule.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Overlapping Rates								
	State Equalization	County	Nogales Suburban F.D.	Flood Control District	Community College District	Fire District Assistance	District Direct Rates		
							Primary	Secondary	Total
2018	0.49	3.83	3.25	0.77	0.50	0.10	4.35	1.55	5.90
2017	0.50	3.81	3.25	0.76	0.49	0.10	5.24	1.58	6.82
2016	0.51	3.81	3.25	0.76	0.47	0.10	5.07	1.49	6.55
2015	0.51	3.65	3.25	0.73	0.00	0.10	4.47	1.40	5.88
2014	0.51	3.42	3.25	0.68	0.00	0.10	4.25	1.36	5.61
2013	0.47	2.82	3.25	0.56	0.00	0.10	3.92	1.24	5.16
2012	0.00	2.82	3.25	0.56	0.00	0.10	3.50	1.18	4.68
2011	0.00	2.82	3.25	0.56	0.00	0.10	3.29	1.12	4.41
2010	0.00	2.90	3.25	0.58	0.00	0.10	3.22	1.12	4.34
2009	0.00	3.01	3.25	0.60	0.00	0.10	3.83	2.66	6.49

Source: The source of this information is the Property Tax Rates and Assessed Values, Arizona Tax Research Foundation.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND FISCAL YEAR NINE YEARS PRIOR**

<u>Taxpayer</u>	<u>2018</u>		<u>2009</u>	
	<u>Net Limited Assessed Valuation</u>	<u>Percentage of District's Net Limited Assessed Valuation</u>	<u>Net Limited Assessed Valuation</u>	<u>Percentage of District's Net Full Cash Valuation</u>
Unisource Energy Corporation	\$ 17,937,000	15.22 %	\$ 9,810,917	6.52 %
Delta Properties LLP	8,142,000	6.91	2,379,492	1.58
Union Pacific Railroad	3,262,000	2.77		
Crisantes Properties LLC	2,478,000	2.10		
Wal-Mart Stores Inc.	2,341,000	1.99	1,587,311	1.05
SOAC Properties Corporation	2,307,000	1.96		
Mariposa Shopping Center LP	2,210,000	1.87	1,658,452	1.10
Qwest Corporation	1,785,000	1.51	1,704,599	1.13
Tubac Management Co. LLC	1,487,000	1.26	2,992,519	1.99
Nogales Plaza Shopping Center	1,341,000	1.14	901,480	0.60
Vatere LLC			2,578,250	1.71
Lawyers Title Agency of AZ LLC			1,307,120	0.87
Rio Rico Properties			1,253,733	0.83
Total	<u>\$ 43,290,000</u>	<u>36.73 %</u>	<u>\$ 26,173,873</u>	<u>17.38 %</u>

Source: The source of this information is the Santa Cruz County Assessor's records.

- Note:** 1) On November 6, 2012, voters approved Proposition 117, an amendment to the Arizona Constitution. Beginning with Tax Year 2015 (Fiscal Year 2016), both primary and secondary taxes are levied against the net limited assessed value.
- 2) Information for principal property taxpayers is presented county-wide as this is the most accurate information currently available.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Fiscal Years	Collected to the End of the Current Fiscal Year	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 6,164,627	\$ 5,814,024	94.31 %	\$	\$ 5,814,024	94.31 %
2017	7,215,860	6,798,942	94.22	396,678	7,195,620	99.72
2016	7,560,396	7,149,410	94.56	393,856	7,543,266	99.77
2015	6,302,910	5,866,725	93.08	423,689	6,290,414	99.80
2014	6,207,635	5,732,278	92.34	462,820	6,195,098	99.80
2013	6,305,308	5,844,337	92.69	452,134	6,296,471	99.86
2012	5,878,054	5,421,345	92.23	446,548	5,867,893	99.83
2011	5,959,257	5,414,606	90.86	536,435	5,951,041	99.86
2010	5,916,518	5,324,652	90.00	591,866	5,916,518	100.00
2009	9,394,586	8,314,809	88.51	1,079,101	9,393,910	99.99

Source: The source of this information is the 2018 Santa Cruz County Treasurer's records.

- Notes:** 1) Amounts collected are on a cash basis.
2) Unsecured personal property taxes are not included in this schedule because the dates of the monthly rolls vary each year. On the average, 90% of unsecured property taxes are collected within 90 days after the due date.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	General Obligation Bonds					Total Outstanding Debt				
	General Obligation Bonds	Less: Amounts Restricted for Principal	Total	Percentage of Estimated Actual Value (Full Cash Value)	Per Capita	Capital Leases	Total	Percentage of Estimated Actual Value (Full Cash Value)	Per Capita	Percentage of Personal Income
2018	\$	\$	\$	%	\$	\$ 4,491,832	\$ 4,491,832	0.42 %	\$ 220	N/A %
2017						4,866,151	4,866,151	0.46	243	0.30
2016						5,240,470	5,240,470	0.51	256	0.34
2015						5,614,789	5,614,789	0.55	269	0.40
2014										
2013										
2012										
2011										
2010										
2009	479,908		479,908	0.04	22		479,908	0.04	22	0.04

Source: The source of this information is the District's financial records.

Note: N/A indicates that the information is not available.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to School District</u>	<u>Estimated Amount Applicable to School District</u>
Overlapping:			
City of Nogales	\$ 14,052,626	100.00 %	<u>\$ 14,052,626</u>
Subtotal, Overlapping Debt			<u>14,052,626</u>
Direct:			
Nogales Unified School District No. 1			<u>4,491,832</u>
Total Direct and Overlapping Governmental Activities Debt			<u><u>\$ 18,544,458</u></u>

DIRECT AND OVERLAPPING GENERAL BONDED DEBT RATIOS

Net Direct General Obligation Bonded Debt		
As a Percentage of Net Limited Assessed Valuation		0 %
Net Direct and Overlapping General Bonded Debt		
Per Capita	\$ 687	
As a Percentage of Net Limited Assessed Valuation		11.92 %
As a Percentage of Gross Full Cash Value		1.31 %

Source: The source of this information is the District's records and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue and the applicable governmental unit.

- Notes:**
- 1) Estimated percentage of debt outstanding applicable to the District is calculated based on a portion of the District's net limited assessed valuation as a percentage of the net limited assessed valuation of the overlapping jurisdiction.
 - 2) Outstanding debt as of June 30, 2017 is presented for the overlapping governments as this is the most recent available information.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Class B Bond Legal Debt Margin Calculation for Fiscal Year 2018:

Net full cash assessed valuation	\$ 126,705,282
Debt limit (20% of assessed value)	25,341,056
Debt applicable to limit	
Legal debt margin	<u>\$ 25,341,056</u>

Total Legal Debt Margin Calculation for Fiscal Year 2018:

Net full cash assessed valuation	\$ 126,705,282
Debt limit (30% of assessed value)	38,011,585
Debt applicable to limit	
Legal debt margin	<u>\$ 38,011,585</u>

Fiscal Year Ended June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Limit	\$ 38,011,585	\$ 36,991,981	\$ 35,232,007	\$ 35,224,356	\$ 36,424,845
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 38,011,585</u>	<u>\$ 36,991,981</u>	<u>\$ 35,232,007</u>	<u>\$ 35,224,356</u>	<u>\$ 36,424,845</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt Limit	\$ 40,620,820	\$ 42,728,665	\$ 46,640,859	\$ 47,865,160	\$ 45,157,123
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,908</u>
Legal debt margin	<u>\$ 40,620,820</u>	<u>\$ 42,728,665</u>	<u>\$ 46,640,859</u>	<u>\$ 47,865,160</u>	<u>\$ 44,677,215</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	1%

Source: The source of this information is the District's financial records.

- Notes:**
- 1) The District's general obligation bonds are subject to two limits: the Constitutional debt limit (total debt limit) on all general obligation bonds outstanding and the statutory debt limit on Class B bonds outstanding. The calculations of the debt margins are presented in detail for the current fiscal year only.
 - 2) Prior to FY17, net bond premium was restricted by amount and not subject to the statutory debt limit. Beginning with FY17, any additional net premium used for capital projects, bond counsel, printing and preparation of offering documents, a financial advisor, paying agent costs or to pay down debt is counted against both debt limits with the exception of amounts of premium deposited into the Debt Service Fund or a refunding escrow to pay interest payments.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
COUNTY-WIDE DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>	<u>Estimated District Population</u>
2017	51,507	\$ 1,681,736	\$ 36,392	9.5 %	20,456
2016	50,581	1,611,877	35,052	9.9	20,000
2015	50,270	1,563,237	33,646	11.5	20,456
2014	49,554	1,408,494	30,164	13.2	20,837
2013	46,768	1,297,082	27,734	18.2	20,456
2012	47,303	1,322,797	27,964	19.2	20,751
2011	47,676	1,193,646	25,037	18.9	20,948
2010	47,420	1,189,267	25,056	16.2	20,878
2009	47,900	1,137,493	25,987	14.6	21,709
2008	47,471	1,141,556	26,466	10.5	21,633

Sources: The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis. The source of the "Population" and "Unemployment Rate" information from 2008 through 2010 is the University of Arizona, Eller College of Management, Economic and Business Research Center. For 2011 through 2017, the source of the information is the Arizona Office of Employment and Population Statistics.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND FISCAL YEAR NINE YEARS PRIOR**

<u>Employer</u>	<u>2018</u>		<u>2009</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Nogales Unified School District	552	3.21 %	637	3.45 %
Santa Cruz Valley Unified School District #35	441	2.57	432	2.34
Santa Cruz County	394	2.29	388	2.10
Super Wal-Mart	384	2.23	600	3.25
Mariposa Community Health Center, Inc.	298	1.73	198	1.07
City of Nogales	296	1.72	301	1.63
Tubac Golf Resort	199	1.16	188	1.02
Carondelet Health Network - Holy Cross Hospital	174	1.01	264	1.43
U.S. Border Patrol			638	3.46
U.S. Customs and Border Protection			425	2.30
Total	<u>2,738</u>	<u>15.92</u> %	<u>4,071</u>	<u>22.05</u> %
Total employment	<u>17,190</u>		<u>18,445</u>	

Source: The source of this information is the U.S. Census Bureau.

Note: Employee data could only be obtained from eight sources in fiscal year 2018.

NOGALES UNIFIED SCHOOL DISTRICT NO. 1
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees as of June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Supervisory					
Consultants/supervisors of instruction	10	10	10	10	10
Principals	10	10	10	10	10
Assistant principals	4	4	4	4	4
Total supervisory	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>
Instruction					
Teachers	281	281	281	278	276
Other professionals (instructional)	15	13	13	13	13
Aides	77	77	77	77	77
Total instruction	<u>373</u>	<u>371</u>	<u>371</u>	<u>368</u>	<u>366</u>
Student Services					
Librarians	3	3	3	3	3
Other	20	20	35	35	35
Total student services	<u>23</u>	<u>23</u>	<u>38</u>	<u>38</u>	<u>38</u>
Support and Administration					
Clerical/secretarial/other workers	53	53	53	53	53
Custodial/maintenance/mechanic workers	62	62	62	62	62
Technicians	6	6	6	6	7
Security guard/truancy officer	18	18	18	18	18
Total support and administration	<u>139</u>	<u>139</u>	<u>139</u>	<u>139</u>	<u>140</u>
Total	<u><u>559</u></u>	<u><u>557</u></u>	<u><u>572</u></u>	<u><u>569</u></u>	<u><u>568</u></u>

(Continued)

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Supervisory					
Consultants/supervisors of instruction	10	10	15	15	15
Principals	10	10	10	10	10
Assistant principals	4	4	5	5	5
Total supervisory	<u>24</u>	<u>24</u>	<u>30</u>	<u>30</u>	<u>30</u>
Instruction					
Teachers	276	273	282	296	307
Other professionals (instructional)	14	14	16	16	19
Aides	77	75	78	87	86
Total instruction	<u>367</u>	<u>362</u>	<u>376</u>	<u>399</u>	<u>412</u>
Student Services					
Librarians	3	3	3	3	3
Other	37	37	42	49	49
Total student services	<u>40</u>	<u>40</u>	<u>45</u>	<u>52</u>	<u>52</u>
Support and Administration					
Clerical/secretarial/other workers	52	52	55	55	57
Custodial/maintenance/mechanic workers	62	61	62	63	63
Technicians	16	8	8	8	8
Security guard/truancy officer	8	15	15	15	15
Total support and administration	<u>138</u>	<u>136</u>	<u>140</u>	<u>141</u>	<u>143</u>
Total	<u><u>569</u></u>	<u><u>562</u></u>	<u><u>591</u></u>	<u><u>622</u></u>	<u><u>637</u></u>

Source: The source of this information is District personnel records.

(Concluded)

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
OPERATING STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Average Daily Membership	Operating Expenditures	Cost per Pupil	Percentage Change	Expenses	Cost per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Free/Reduced Students
2018	5,644	\$ 42,635,414	\$ 7,555	2.52 %	\$ 46,138,044	\$ 8,175	5.18 %	373	15.1	83.0 %
2017	5,585	41,154,885	7,369	(0.70)	43,410,206	7,773	(6.26)	371	15.1	83.0
2016	5,524	40,992,208	7,421	1.57	45,801,174	8,291	7.95	371	14.9	83.1
2015	5,576	40,739,410	7,306	2.68	42,826,478	7,681	(1.55)	368	15.2	83.0
2014	5,657	40,252,162	7,116	(2.15)	44,132,602	7,802	(3.15)	366	15.5	83.0
2013	5,624	40,896,255	7,272	3.17	45,303,753	8,055	2.15	367	15.3	81.5
2012	5,580	39,329,590	7,048	(2.30)	44,001,514	7,886	5.64	362	15.4	82.0
2011	5,637	40,664,965	7,214	(0.09)	42,079,038	7,465	(5.87)	376	15.0	81.0
2010	5,793	41,826,519	7,220	(7.07)	45,941,667	7,931	(10.67)	399	14.5	82.0
2009	5,688	44,191,725	7,769	1.83	50,494,754	8,877	0.43	412	13.8	80.0

Source: The source of this information is the District's financial records.

Note: Operating expenditures are total expenditures less debt service and capital outlay.

**NOGALES UNIFIED SCHOOL DISTRICT NO. 1
CAPITAL ASSETS INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year Ended June 30									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Schools</u>										
Elementary										
Buildings	56	56	56	56	56	56	56	56	56	56
Square feet	268,715	268,715	268,715	268,715	268,715	268,715	268,715	268,715	268,715	268,715
Enrollment	2,366	2,391	2,581	2,678	2,355	2,355	2,545	2,630	2,680	2,650
Middle										
Buildings	14	14	14	14	14	14	14	14	14	14
Square feet	160,113	160,113	160,113	160,113	160,113	160,113	160,113	160,113	160,113	160,113
Enrollment	1,347	1,298	1,282	1,298	1,390	1,390	1,379	1,335	1,393	1,373
High										
Buildings	36	36	36	36	36	36	36	36	36	36
Square feet	260,935	260,935	260,935	260,935	260,935	260,935	260,935	260,935	260,935	260,935
Enrollment	1,930	1,896	1,800	1,810	1,880	1,880	1,807	1,834	1,901	1,874
<u>Administrative</u>										
Buildings	7	7	7	7	7	7	7	7	7	7
Square feet	47,417	47,417	47,417	47,417	47,417	47,417	47,417	47,417	47,417	47,417
<u>Transportation</u>										
Garages	2	2	2	2	2	2	2	2	2	2
<u>Athletics</u>										
Football fields	4	4	4	4	4	4	4	4	4	4
Soccer fields	9	9	9	9	9	9	9	9	9	9
Running tracks	4	4	4	4	4	4	4	4	4	4
Baseball/softball	11	11	11	11	11	11	11	11	11	11
Swimming pools	1	1	1	1	1	1	1	1	1	1
Playgrounds	13	13	13	13	13	13	13	13	13	13

Source: The source of this information is the District's facilities records.

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