



Comprehensive Annual Financial Report

For The

Fiscal Year Ended June 30, 2017

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
FLAGSTAFF, ARIZONA
FOR THE
FISCAL YEAR ENDED JUNE 30, 2017**

Prepared by:
Business and Finance Department

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**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017
TABLE OF CONTENTS**

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL	1
LIST OF PRINCIPAL OFFICIALS	7
ORGANIZATIONAL CHART	8
ASBO CERTIFICATE OF EXCELLENCE	9
GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING	10

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	11
MANAGEMENT'S DISCUSSION AND ANALYSIS	14

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	22
STATEMENT OF ACTIVITIES	23
BALANCE SHEET – GOVERNMENTAL FUNDS	24
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	25
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	26
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	27
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	28
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	29
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	30
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – FIDUCIARY FUNDS	31
NOTES TO THE BASIC FINANCIAL STATEMENTS	32

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2017
 TABLE OF CONTENTS (CONTINUED)**

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS COST SHARING PENSION PLANS	54
SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFIT PLAN	55
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND – BUDGETARY BASIS	56
SPECIAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	57
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A	58

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	60
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	62
BOND BUILDING FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	64
INSTRUCTIONAL IMPROVEMENT FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	65
CIVIC CENTER FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	66
FOOD SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	67
CLASSROOM SITE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	68
OTHER SPECIAL REVENUE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	69
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	70
ADJACENT WAYS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	71
BUILDING RENEWAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	72
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS	73

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017
TABLE OF CONTENTS (CONTINUED)**

STATISTICAL SECTION

FINANCIAL TRENDS

NET POSITION BY COMPONENT	74
CHANGES IN NET POSITION	76
FUND BALANCES OF GOVERNMENTAL FUNDS	78
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS	80

REVENUE CAPACITY

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY	82
NET SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION	83
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS	84
PRINCIPAL PROPERTY TAXPAYERS	85
PROPERTY TAX LEVIES AND COLLECTIONS	86

DEBT CAPACITY

RATIO OF OUTSTANDING DEBT BY TYPE	87
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT	88
LEGAL DEBT MARGIN INFORMATION	89
CALCULATION OF LEGAL DEBT MARGIN	91

DEMOGRAPHIC AND ECONOMIC INFORMATION

DEMOGRAPHIC AND ECONOMIC STATISTICS	92
PRINCIPAL EMPLOYERS	93
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION	94
OPERATING STATISTICS	96
CAPITAL ASSETS INFORMATION	97

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INTRODUCTORY SECTION

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FLAGSTAFF UNIFIED

School District

3285 East Sparrow Avenue

Flagstaff, AZ 86004

928-527-6043

January 25, 2018

Citizens and Governing Board
Flagstaff Unified School District No. 1
3285 East Sparrow Avenue
Flagstaff, Arizona 86004

State law mandates that school districts required to undergo an annual single audit and 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 Flagstaff Unified School District No. 1 for the fiscal year ended June 30, 2017.

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 from 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 CliftonLarsonAllen LLP, 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, 2017, 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 auditor 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, 2017, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

The Flagstaff Unified School District No. 1 is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Information related to this single audit, including the schedule of federal awards, findings and recommendations and auditor's reports on the internal control structure and compliance for each major federal program required by the Uniform Guidance are included in the single audit report which is 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.

PROFILE OF THE DISTRICT

The District was founded in a log cabin in 1883 and is one of nine public school districts located in Coconino County, Arizona. The District is large, roughly 4,500 square miles, with most of the surrounding property being federal, state, or reservation land. It provides a program of public education from kindergarten through grade twelve, with an average daily membership (ADM) of 9,295 students for fiscal year 2016-17. The projected ADM for fiscal year 2017-18 is 9,324.

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 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 bookstore and athletic functions.

"The premiere educational choice for the greater Flagstaff community" is the Vision Statement of the District. The mission of the District is "Creating opportunities for you to discover your path to excellence."

Citizens and Governing Board
Flagstaff Unified School District No. 1

The District has applied a strategic plan to improve teaching and learning by integrating local, state and federal programs, utilizing resources effectively, insuring non-duplication of services and providing ongoing assessment and revision which all leads to improved student achievement for ALL students with a core belief in the power of expectations: in the impact of high standards, in the value of diversity and within a positive supportive learning environment.

The District's Strategic Plan supports the "Every Student Succeeds Act" (formerly known as No Child Left Behind) goals:

- All students will reach high standards, attaining proficiency or better in reading, language arts, and mathematics.
- All students will graduate from high school.
- All students will be taught by highly qualified teachers.
- All students will be educated in learning environments that are safe, drug free and conducive to learning.

As FUSD strategically plans we have broadened our view beyond Every Student Succeeds Act to include goals in Science, Social Studies, Technology, Art, Music, Physical Education, Health and Wellness, Community, Facilities, Demographics, Transportation and Data Management. The Board goals read as follows:

- Maintain and improve comprehensive student opportunities and services
- Recruit and retain highly qualified, motivated, and excelling staff
- Improve student preparedness and mastery
- Research and create desirable and relevant educational opportunities and services
- Increase public engagement of support for FUSD
- Develop diversified partnerships and innovative revenue opportunities

In support of this vision, we expect:

- the guaranteed use of a rigorous and relevant curriculum, based on world class standards with frequent, common assessments to monitor student learning;
- that students will receive appropriate instruction and support until they demonstrate mastery of the curriculum and once mastery is demonstrated, students will be challenged to apply it with greater depth;
- that all staff will collaborate for the purpose of continuously improving all district systems and sharing accountability for each student's learning;
- that administrators will recruit and retain the best teachers, provide the necessary professional development and compensate them based on market demand and the degree of difficulty of their assigned responsibilities;
- effective and efficient facility utilization and proper fiscal accountability for all funds;

Over the last five years the district has engaged in the creation and revision of Common Summative Assessments that are used for two primary purposes. The first purpose is to provide teachers with baseline data on their incoming student to help guide instruction for the semester or year. The second purpose is to provide a valid and reliable growth measurement for teacher evaluation metrics. To date, FUSD has over 60 Common Summative Assessments that measure core content areas including ELA, Math, Social Studies, and Science as well as other content areas ranging from Culinary Arts to Welding and Music. These Common Summative Assessments are used in grades 6 – 12 while our elementary grades (3-8) are assessed using pre-built assessments in a benchmarking model that includes three test administrators for ELA and Math.

Citizens and Governing Board
Flagstaff Unified School District No. 1

The District's performance evaluation system was recognized by the Arizona Department of Education as an innovative and unique evaluation instrument that met and exceeded the requirements of the State. The district tool "TPEC" has been presented during multiple State and National conferences over the past 4 years. The TPEC tool is unique because it includes accountability for student growth based upon common summative assessments and/or state assessments, collaborative evaluation teams, a menu of growth measurements to select from, and a review and revision process on an annual basis. The system is confirmed by the districts research and assessment department annually as valid and reliable.

The District engages in a number of partnerships, including a Career and Technical Educational Partnership where community and business partners have been involved in developing a plan for expanding career and technical educational opportunities. The District has a cooperative arrangement with the City of Flagstaff, Coconino County, Coconino Association for Vocations Industry and Technology, Coconino Community College and Northern Arizona University to implement programs which benefit constituents and minimize duplication of services.

The District has ten elementary school sites, two of which are magnets. Puente de Hozho is a tri-lingual magnet school teaching Navajo, Spanish, and English. Marshall Elementary is an arts and science magnet school. There are two middle schools which both house magnet options. Sinagua Middle School has a rigorous hands on, project based technology and engineering magnet called MIT-e. Mount Elden Middle School supports the Alpine Leadership Academy, the Honors/ Pre-AP Academy and the Puente Language Academy, which is a continuation of the elementary program. There are three high schools: two comprehensive and one alternative high school. Coconino High School supports the Coconino Institute of Technology magnet along with the Puente High School Language Academy. Flagstaff High School supports the Advanced Placement Academy, and Summit High School provides the alternative programs including the online program, Northern Arizona Distance Learning (grades 7-12). In addition to the required core classes and the wide range of electives, District high schools also offer exciting opportunities such as CAVIAT Central Programs. These programs allow students to earn college credit while attending high school and receive career and technical education.

The 2014-15 school year was the first year for Arizona's new state standardized assessment, AzMERIT. Anytime a new assessment is put in place, time is required for stabilization of the test and refinements of how the data from the assessment is analyzed. During this stabilization period, 2014-15 and 2015-16 academic years, the Flagstaff Unified School District used district created Common Summative Assessments (CSAs) to evaluate its schools based on student growth demonstrated on the CSAs. For each of these two years all schools in FUSD received a school letter grade of an "A" based the amount of student growth demonstrated on the CSAs. The 2016-17 academic year now provides three years' worth of data from the new AzMERIT assessment, allowing the Arizona Department of Education's accountability division to implement and new Letter Grade model that was approved by the State Board of Education. This model is slightly different for K-8 schools and high schools, however, both versions of the model incorporate similar components. These components include overall proficiency of students' score for ELA and Math, growth of students from one year to the next, inclusion of ELL proficiency on the AZELLA test, and changes in subgroups of students. Based on the current version of this model, that is now being reexamined, the state has provided the schools in FUSD with the following preliminary Letter Grades. Our K-8 schools earned 0 A's, 2 B's, 6 C's, 4 D's. Our high schools each earned a C, and our one alternative high school has not yet been evaluated since ADE is still finalizing a Letter Grade model for alternative high schools.

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 District has had major operational budget adjustments in the last few fiscal years but has been able to maintain small class sizes and special program offerings.

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. In funds where the District is not required to legally adopt a budget, over expenditures of budgeted funds may occur. 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.

FACTORS AFFECTING FINANCIAL CONDITION

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.

Local Economy. The economy of the District is centered on the City of Flagstaff, which has a population of approximately 71,459. According to a November 2017 report commissioned by the Economic Collaborative of Northern Arizona (ECoNA), Flagstaff has experienced a trend of economic growth paired with above average population growth. Drivers of the economic growth include a major university, a regional hospital, opportunities for outdoor recreation, retail and tourism. Most of the employment increases are in education, health care, restaurants, lodging, and service jobs. Northern Arizona University is the largest single employer in Flagstaff while the Flagstaff Unified School District ranks as the fourth largest. A list of Flagstaff's largest employers is included in the Statistical Section of this Comprehensive Annual Financial Report. Much of the population growth of Flagstaff can be attributed to rapid increase of students enrolled at Northern Arizona University.

The District will continue to face many challenges as an institution in a community undergoing economic and social change. Flagstaff currently has one of Arizona's highest costs of living. Failure of housing development to keep pace with the population growth has made housing affordability a critical issue for the community creating challenges for recruiting and retaining for the workforce population and retaining young families enrolling children in the District. Flagstaff is the governmental, educational, transportation, cultural and commercial center for Northern Arizona. Government is one of the largest employment sectors. Tourism is also a large employer as the City sees over 5.0 million visitors a year. In addition, Flagstaff houses Northern Arizona University and other scientific and high tech research and development industries.

Long-Term Financial Planning. The citizens of Flagstaff have taken great pride in providing high-quality schools for their children by continuing to support the District by approving bond initiatives. In 2006, the District's voters approved \$53.1 million in bonding. In 2012, the District's voters again approved \$20.8 million in bonding. In addition to bonding for long term capital funding the District operates under a voter approved 15% Maintenance and Operations override.

Bonds authorized by voters in 2012 were sold in the following increments: The first \$10.6 million was sold in January 2013, with the remaining \$10.2 million sold in 2017.

The first \$10.6 million of 2012 bond revenue was utilized to improve health and safety for students who use District buildings, and to acquire and improve transportation vehicles and classroom technology. The remaining bond revenues will effectively be used for building renovation, school bus replacements, and approximately 24% for classroom technology

AWARDS AND ACKNOWLEDGMENTS

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, 2016. This was the sixth consecutive year 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, 2016. 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, 2017 certificates.

The District staff received both National and State recognition this year. The 2017 Coconino County Teacher of the Year is a science teacher from Sinagua Middle School. A physics teacher from Coconino High School was awarded Teacher of the Year at the Governor's Celebration of Innovation Awards. Flagstaff High School earned the Education Advances Award from the Naviance College and Career Readiness Program. In addition; FUSD is an Apple Distinguished District, Flagstaff High School is on the U.S. World and News Report Silver list for Outstanding High Schools, Flagstaff High School ranked 26th in the top 50 Arizona High Schools by SAT Scores by the Phoenix Business Journal, Sinagua Middle School is an A+ School and FUSD is on the AP Honor Roll.

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.

In closing, without the leadership and support of the Governing Board of the District, preparation of this report would not have been possible.

Respectfully submitted,



David J. Dirksen
Superintendent



Robert Kuhn
Assistant Superintendent of Operations

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2017**

GOVERNING BOARD

Christine Fredericks
President

Kara Kelty
Clerk

Carole Gilmore
Member

Kathryn Kozak
Member

Carol Haden
Member

ADMINISTRATIVE STAFF

David Dirksen, Superintendent

Robert Kuhn, Assistant Superintendent of Operations

Mary K. Walton, Assistant Superintendent of Curriculum and Instruction

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
ORGANIZATIONAL CHART
JUNE 30, 2017



Governing Board
President – Christine Fredericks **Clerk** – Kara Kelty **Members** – Kathryn Kozak, Carol Haden, Carole Gilmore

Superintendent – Dave Dirksen

Assistant Superintendent
Curriculum & Instruction
 Mary K. Walton

Bilingual Education - K. Kelley
 Career & Technical Ed - D. Allan
 Driver's Ed/Summer School - C. Everett
 Educational Enrichment - S. Johnson
 Environmental Education - M. Giannola
 Exceptional Student Serv. - D. Shaum
 Indian Education - E. Kasch
 K-12 Math Coordinator - J. Gaun
 Online Learning - R. Rosales
 Professional Dev. - D. Trubakoff
 Research & Assess. - R. Hagstrom
 Student Support Services - C. Cox
 Technology - M. Knight

Assistant Superintendent
Operations
 Bob Kuhn

Facility Rental & Leasing - B. Kuhn,
 E. Keller
 Facility/Construction Services –
 G. Weber, J. Thames
 Food Services - C. Poole
 Materials & Cont. Mgt - K. Aringdale
 Risk Management - E. Keller
 Transportation - J. Martin
 Worker's Compensation -
 K. Woolbright

Director
Human Resources
 Dawn Anderson

Background Checks
 Classified Staff Management
 Compensation
 Employee Benefits
 Employee Discipline
 Employee Relations & Retention
 Legal
 Performance Evaluation Systems
 Policy Procedures
 Position Certification/HQ Process
 Recruitment
 Substitute Staff Management

District Relations Coord. - K. Eberhard

Director
Finance/Budgeting
 Scott Walmer

Accounting - G. Stevens
 Accounts Payable
 Accounts Receivable
 Annual Financial Reports
 Audit
 Benefits
 Grant Completion Reports
 IFAS - C. Grove
 Payroll Department - C. Davis

Principals
Elementary Schools: **Cromer** – T. Gordon, **DeMiguel** – N. Wilson, **Killip** – J. Gutierrez, **Kinsey** – T. Nelson, **Knoles** – P. Galvan,
Leupp – R. Chee, **Marshall** – J. Coe, **Puente** – R. Kelty, **Sechrist** – J. Albert, **Thomas** – F. Garcia
Mt. Elden Middle School – T. Safranek **Sinagua Middle School** – T. Popham
Coconino High School – S. Zanzucchi, **Flagstaff High School** – T. Cullen, **Summit High School** – C. Koenker



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Flagstaff Unified School District No. 1

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'. The signature is written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'. The signature is written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

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

Presented to

Flagstaff Unified School District No. 1

Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Flagstaff Unified School District No. 1
Flagstaff, Arizona

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 Flagstaff Unified School District No. 1 (District), as of and for the year ended June 30, 2017, 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.

Auditors' 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 auditors' 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 District'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 District'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 Flagstaff Unified School District No. 1 as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefit information, pension schedules and budgetary comparison 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.

Supplementary and 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 combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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 25, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
January 25, 2018

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**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

As management of the Flagstaff Unified School District No. 1 (District), we offer the 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, 2017. 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 assets and deferred outflows of resources of the District were more than liabilities and deferred inflows of resources at the close of the fiscal year by \$37.9 million (net position).
- ◆ The District's total net position increased by \$0.9 million. This was largely due to an increase in operating grants and contributions and property tax revenues, offset by increases in expenses.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$47.8 million, an increase of \$11.0 million in comparison with the prior year.
- ◆ At the end of year, unassigned fund balance for the General Fund was \$23.6 million, an increase of \$2.8 million from prior year. This increase was due to net revenues exceeding expenditures discussed later in this management's discussion and analysis.
- ◆ The District's bonded debt increased by \$6.8 million (22.0%) during the current fiscal year. The increase was due to the issuance of \$9.2 million in School Improvement Bonds, Series 2017, offset with scheduled debt service payments from previously issued debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government'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 the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

The government-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). 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.

The government-wide financial statements can be found immediately following this MD&A.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary 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 focus on near-term inflows and outflows 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 a government'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 government'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.

The District maintains eleven individual governmental funds. 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 Fund, Special Projects Fund and Bond Building Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation.

An operating budget for expenditures is prepared and adopted by the District each fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts. The expenditure budget can be revised annually, per Arizona Revised Statutes. The District does not adopt a revenue budget; therefore, a deficit budgeted fund balance exists in all budgeted funds. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

The basic governmental fund financial statements can be found on pages 24 - 27 of this report.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Proprietary funds. The District maintains one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its internal service fund to account for its employee benefit trust. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements. The Employee Benefit Trust, although a legally separate component unit, functions for all employees of the District, and therefore has been included as an internal service fund.

The basic proprietary fund financial statements can be found on pages 28 – 30 of this report.

Fiduciary fund. The Fiduciary fund is used to account for resources held for the benefit of parties outside the District. The Fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund is not available to support the District's own programs. The Fiduciary fund is custodial in nature and does not present results of operations or a measurement focus.

The basic fiduciary fund financial statement can be found on page 31 of this report.

Notes to the basic financial statements. The notes to the basic financial statements 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 basic financial statements can be found on pages 32 - 53 of this report.

Required Supplementary Information Other Than the MD&A. The required supplementary information other than the MD&A found immediately following the notes to the financial statements include the schedule of funding progress for the other postemployment benefit plan, pension schedules, and the schedule of revenues, expenditures and changes in fund balance – budget and actual for the General Fund and Special Projects Fund. Notes to the required supplementary information follow the budgetary comparison schedules.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information other than the MD&A. Combining and individual fund statements and schedules can be found on pages 60 - 73 of this report.

The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The statistical section can be found on pages 74 - 98 of this report.

Government-Wide Financial Analysis

As noted earlier, 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 of resources were more than liabilities and deferred inflows of resources by \$37.9 million as of June 30, 2017.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

By far the largest portion of the District's net position (\$66.5 million) reflects its net investment in capital assets (e.g., land, buildings, furniture, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$16.5 million) represents resources that are subject to external restrictions on how they may be used. The District reported a negative unrestricted net deficit in the current year of \$45.0 million. Negative unrestricted net position is reported due to the reporting of the net pension liability in a prior year.

A summary of changes in the District's Statement of Net Position for the fiscal years ended June 30, 2017 and 2016 is presented below:

	Governmental Activities		
	2017	2016	Percent Change
Current and Other Assets	\$ 64,019,891	\$ 52,735,152	21.4 %
Capital Assets	97,200,158	100,254,397	(3.0)
Total Assets	161,220,049	152,989,549	5.4
Deferred Outflows of Resources	17,004,044	8,730,301	94.8
Current Liabilities	7,323,722	7,188,698	1.9
Noncurrent Liabilities	122,961,535	110,988,269	10.8
Total Liabilities	130,285,257	118,176,967	10.2
Deferred Inflows of Resources	10,012,597	6,490,916	54.3
Net Position:			
Net Investment in Capital Assets	66,494,649	69,492,933	(4.3)
Restricted	16,456,866	16,025,502	2.7
Unrestricted	(45,025,276)	(48,466,468)	7.1
Total Net Position	\$ 37,926,239	\$ 37,051,967	2.4

At the end of the current fiscal year, the District was able to report positive balances in the net investment in capital assets and restricted net position categories. Net investment in capital assets decreased 4.3%. The decrease was the net effect of a decrease in capital assets and a related increase in outstanding debt from the issuance of School Improvement Bonds, Series 2017. Capital asset additions are discussed later in this MD&A. Restricted net position increased 2.7% largely due to a surplus in instructional improvement activities and extracurricular activities. Unrestricted net position increased 7.1% largely due to a surplus of unrestricted revenues over expenses during the fiscal year.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Overall, net position of the District increased \$0.9 million. Key elements of this increase are presented in the following Condensed Statement of Changes in Net Position for the fiscal years ended June 30, 2017 and 2016:

	Governmental Activities		Percent Change
	2017	2016	
REVENUES			
Program Revenues:			
Charges for Services	\$ 3,760,414	\$ 3,868,590	(2.8)%
Operating Grants and Contributions	18,317,270	17,969,556	1.9
General Revenues:			
Property Taxes	53,967,756	51,497,657	4.8
Grants and Contributions Not Restricted to Specific Programs:			
State Equalization and Additional State Aid	18,516,250	18,589,942	(0.4)
Federal Grants and Aid	557,504	1,417,214	(60.7)
Investment Earnings	415,759	365,571	13.7
Other	817,944	644,934	26.8
Total Revenues	<u>96,352,897</u>	<u>94,353,464</u>	2.1
EXPENSES			
Instruction	50,720,150	47,594,635	6.6
Support Services:			
Students and Instructional Staff	14,071,430	15,463,111	(9.0)
Administration	8,201,129	7,953,133	3.1
Operation and Maintenance of Plant	10,105,503	9,199,529	9.8
Student Transportation	6,087,018	5,503,724	10.6
Operation of Noninstructional Services	5,348,448	5,563,037	(3.9)
Interest on Long-Term Debt	944,947	937,097	0.8
Total Expenses	<u>95,478,625</u>	<u>92,214,266</u>	3.5
Change in Net Position Before Special Items	874,272	2,139,198	(59.1)
Special Item - Gain on Sale of Capital Assets	-	2,433,487	100.0
Change in Net Position	<u>874,272</u>	<u>4,572,685</u>	(80.9)
Net Position - Beginning of Year	<u>37,051,967</u>	<u>32,479,282</u>	14.1
Net Position - End of Year	<u>\$ 37,926,239</u>	<u>\$ 37,051,967</u>	2.4

Program revenues, which consist of charges for services and operating grants and contributions, increased from the prior year by \$0.2 million. Operating grants and contributions increased 1.9% due to an increase in revenue passed through from the Arizona Department of Education (ADE) and other federal agencies. Charges for services decreased 2.8% in part due to decreased food sales.

General revenues increased \$1.7 million from the prior year, mainly due to an increase in property tax revenue from increased property tax rates and assessed values. Federal grants aid revenues decreased 60.7% due to the District not receiving forest fees revenues in the current fiscal year.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

State Equalization and Additional State Aid did not change by a significant amount due to consistent enrollment and funding.

Investment earnings increased 13.7%, due to an increase in the average cash balance throughout the year from the issuance of the School Improvements Bonds and a positive change in net position.

District expenses increased over the prior year by \$3.3 million. The District reported increases in instruction, administration, operation and maintenance of plant, student transportation, and interest on long-term debt. The increase was due to continued student growth and capital improvements to school sites. The District reported decreases in students and instructional staff and operation of noninstructional services by a total of \$1.6 million largely due to the continued implementation of planned reductions to eliminate a structural deficit, enhanced facility efficiencies, and staffing restructuring.

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 a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$47.8 million, an increase of \$11.0 million in comparison with the prior year. Approximately 49.5% of this total amount (\$23.6 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. Another portion of fund balance, \$1.0 million, represents nonspendable fund balance for prepaid items. The remaining fund balance is restricted to indicate that it is not available for new spending.

At fiscal year-end June 30, 2017 fund balances were as follows:

<u>Fund</u>	<u>Balance</u>	<u>Increase (Decrease) From 2015-16</u>
General Fund	\$ 24,579,469	\$ 3,772,214
Special Projects Fund	282,262	195,658
Bond Building Fund	6,832,459	6,832,459
Nonmajor Governmental Funds	16,073,183	225,307

The General Fund increase of \$3.8 million was mostly due to increases in property tax revenues offset with increases in salaries and employee benefits.

The Bond Building Fund increase of \$6.8 million was due to unspent project funds received from the issuance of School Improvement Bonds, Series 2017, during the current fiscal year for \$9.2 million.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

The Special Projects Fund increased \$0.2 million due to grant funding carryover that will be spent in the subsequent year.

The Nonmajor Governmental Funds increased \$0.2 million. The increase was mainly due to Instructional Improvement revenues of \$0.4 million and no expenditures reported within that fund.

General Fund Budgetary Highlights

Over the course of the year, the District revised the expenditure budget of the General Fund. The difference between the adopted budget and the final amended budget was a decrease of \$0.5 million. The decrease was mainly due to the adopted average daily membership being used for the budget and associated mid-year adjustments.

The District fell below the General Fund budget for June 30, 2017 by \$3.7 million. Significant variances from the budget were in regular education instruction, special education instruction, and operations of maintenance and plant. The main reason for the positive variance with the budget was due to conservative spending practices and utilizing other sources of funding for special education programs.

Capital Asset and Debt Administration

Capital assets: The District's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$97.2 million (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, land improvements, buildings and building improvements, and furniture, equipment and vehicles. The amount represents a net decrease of 3.0% from last year. Total depreciation expense for the year was \$7.7 million.

Major capital asset events during the current fiscal year included the following:

- ◆ FHS auditorium and metal shop remodel.
- ◆ Purchase of two 30-passenger buses.
- ◆ SMS asphalt replacement project.
- ◆ Continued renovation of school roofing.
- ◆ Bus barn parking lot improvements.

Capital Assets (net)
June 30, 2017 and 2016

	Governmental Activities	
	2017	2016
Land	\$ 3,996,095	\$ 3,996,095
Construction in Progress	371,106	552,935
Land Improvements	15,810,277	15,860,704
Buildings and Building Improvements	68,321,674	70,646,470
Furniture, Equipment, and Vehicles	8,701,006	9,198,193
Total Capital Assets, Net	\$ 97,200,158	\$ 100,254,397

Additional information on the District's capital assets can be found in Note 2.A.3. of this report.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Debt Administration: At the end of the current fiscal year, the District had total bonded debt outstanding of \$37.5 million. All this debt is backed by the full faith and credit of the District. The following is a summary the District's June 30, 2017 and June 30, 2016 outstanding bonded indebtedness.

Outstanding Bonded Indebtedness
June 30, 2017 and 2016

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$ 37,537,968	\$ 30,761,464

The District's bonded debt increased by a net amount of \$6.8 million (22.0%) during the current fiscal year. The increase was due to the issuance of Class B School Improvement Bonds less regularly scheduled principal payments.

State statutes limit the amount of bonded debt a unified school district may issue to 30% of its net assessed valuation for Class A and Class B bonded debt combined and the greater of 20% of its net assessed valuation or \$1,500 per student count for Class B bonded debt. The current debt limitation for the District can be found on page 91. The District's current outstanding debt was less than the legal debt limit for all bonds.

Additional information on the District's long-term debt can be found in Note 2.C. of this report.

Economic Factors and Next Year's Budgets and Rates

Many factors were considered by the District's administration during the process of developing the fiscal year 2017-2018 budget. Among them:

- Inflation funding of 1.31%.
- Specifically funded 1.06% one time payment for all teachers.
- A 13% increase to District health insurance costs.
- A \$.50 per hour increase to the minimum wage.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business and Finance Department, Flagstaff Unified School District No. 1, 3285 East Sparrow Avenue, Flagstaff, Arizona 86004.

Basic Financial Statements

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and Investments	\$ 53,304,204
Receivables, Net	
Property Taxes	1,484,339
Accounts	837,565
Intergovernmental	7,327,722
Prepaid Items	952,834
Deposits	113,227
Capital Assets:	
Nondepreciable	4,367,201
Depreciable, Net	92,832,957
Total Assets	161,220,049
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pensions	17,004,044
LIABILITIES	
Accounts Payable	2,404,682
Accrued Wages and Benefits	4,919,040
Noncurrent Liabilities	
Due Within One Year	4,309,241
Due in More Than One Year	36,379,980
Net Pension Liability	82,272,314
Total Liabilities	130,285,257
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	10,012,597
NET POSITION	
Net Investment in Capital Assets	66,494,649
Restricted for:	
Classroom Site	5,479,261
Instructional Improvement	1,602,352
Federal and State Grants	282,262
Food Services	501,701
Civic Center	5,142,786
Capital Projects	433,543
Debt Service	829,401
Joint Technological Services	636,723
Community School	201,394
Extracurricular Activities	1,167,584
Other	179,859
Unrestricted	(45,025,276)
Total Net Position	\$ 37,926,239

See accompanying Notes to the Basic Financial Statements.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government:						
Governmental Activities:						
Instruction	\$ 50,720,150	\$ 1,718,739	\$ 14,269,618	\$ -		\$ (34,731,793)
Support Services:						
Students	6,787,332	3,246	899,533	-		(5,884,553)
Instructional Staff	7,284,098	384	2,732,439	-		(4,551,275)
General Administration	1,251,899	-	370,356	-		(881,543)
School Administration	3,547,718	-	-	-		(3,547,718)
Business and Other Support Services	3,401,512	37,269	17,098	-		(3,347,145)
Operation and Maintenance of Plant	10,105,503	-	10,509	-		(10,094,994)
Student Transportation	6,087,018	-	17,717	-		(6,069,301)
Operation of Noninstructional Services	5,348,448	2,000,776	-	-		(3,347,672)
Interest on Long-Term Debt	944,947	-	-	-		(944,947)
Total	\$ 95,478,625	\$ 3,760,414	\$ 18,317,270	\$ -		(73,400,941)
General Revenues:						
						53,967,756
						18,516,250
						9,311
						548,193
						415,759
						817,944
						74,275,213
						874,272
						37,051,967
						\$ 37,926,239

See accompanying Notes to the Basic Financial Statements.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Projects	Bond Building	Nonmajor	Totals
Assets					
Cash and Investments	\$ 21,657,111	\$ -	\$ 7,565,484	\$ 16,313,620	\$ 45,536,215
Receivables					
Accounts Receivable	558,764	-	-	278,801	837,565
Property Taxes	1,353,165	-	-	131,174	1,484,339
Intergovernmental	5,487,068	1,671,210	-	169,444	7,327,722
Prepays	952,834	-	-	-	952,834
Due from Other Funds	935,227	-	-	-	935,227
Deposits	-	-	-	113,227	113,227
Total Assets	<u>\$ 30,944,169</u>	<u>\$ 1,671,210</u>	<u>\$ 7,565,484</u>	<u>\$ 17,006,266</u>	<u>\$ 57,187,129</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	\$ 1,192,918	\$ 72,632	\$ 730,974	\$ 408,158	\$ 2,404,682
Accrued Wages and Benefits	4,112,396	381,089	2,051	423,504	4,919,040
Due to Other Funds	-	935,227	-	-	935,227
Total Liabilities	<u>5,305,314</u>	<u>1,388,948</u>	<u>733,025</u>	<u>831,662</u>	<u>8,258,949</u>
Deferred Inflows of Resources					
Unavailable Revenue	<u>1,059,386</u>	<u>-</u>	<u>-</u>	<u>101,421</u>	<u>1,160,807</u>
Fund Balances					
Nonspendable	952,834	-	-	-	952,834
Restricted	-	282,262	6,832,459	16,073,183	23,187,904
Unassigned	<u>23,626,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,626,635</u>
Total Fund Balances	<u>24,579,469</u>	<u>282,262</u>	<u>6,832,459</u>	<u>16,073,183</u>	<u>47,767,373</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,944,169</u>	<u>\$ 1,671,210</u>	<u>\$ 7,565,484</u>	<u>\$ 17,006,266</u>	<u>\$ 57,187,129</u>

See accompanying Notes to the Basic Financial Statements.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances for Governmental Funds \$ 47,767,373

Total net position reported for governmental activities in the statement of net position is different because:

Property taxes not collected within 60 days subsequent to fiscal year-end are reported as deferred inflows of resources in the governmental funds. 1,160,807

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 3,996,095	
Construction in Progress	371,106	
Land Improvements	28,246,447	
Buildings and Building Improvements	177,074,595	
Furniture, Equipment and Vehicles	19,119,230	
Governmental Capital Assets	<u>228,807,473</u>	
Less: Accumulated Depreciation	<u>(131,607,315)</u>	97,200,158

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

Deferred outflows of resources related to pensions	17,004,044	
Deferred inflows of resources related to pensions	<u>(10,012,597)</u>	6,991,447

Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 7,767,989

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

General Obligation Bonds	(35,575,000)	
Unamortized Premiums	(1,962,968)	
Pension Liability	(82,272,314)	
Compensated Absences Payable	(933,159)	
Other Postemployment Benefits	<u>(2,218,094)</u>	<u>(122,961,535)</u>

Total Net Position of Governmental Activities \$ 37,926,239

See accompanying Notes to the Basic Financial Statements.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Projects	Bond Building	Nonmajor	Totals
Revenues					
Property Taxes	\$ 48,752,333	\$ -	\$ -	\$ 5,053,035	\$ 53,805,368
Intergovernmental	20,946,949	6,592,744	-	7,470,796	35,010,489
Tuition	224,869	-	-	1,557,310	1,782,179
Food Service Sales	-	-	-	677,234	677,234
Auxiliary Operations	754,343	-	-	-	754,343
Charges for Services	-	-	-	546,658	546,658
Contributions and Donations	1,205,724	-	-	1,174,811	2,380,535
Investment Earnings	205,813	1,555	-	162,867	370,235
Other	808,237	-	-	9,707	817,944
Total Revenues	<u>72,898,268</u>	<u>6,594,299</u>	<u>-</u>	<u>16,652,418</u>	<u>96,144,985</u>
Expenditures					
Current					
Instruction	34,136,116	2,990,001	-	6,678,804	43,804,921
Support Services					
Students	5,783,946	718,408	-	219,833	6,722,187
Instructional Staff	4,684,847	2,182,251	424,401	1,132	7,292,631
General Administration	942,145	295,783	-	-	1,237,928
School Administration	3,534,621	-	-	-	3,534,621
Business and Other Support Services	3,028,119	13,655	-	41,873	3,083,647
Operations and Maintenance of Plant	9,969,576	8,393	53,753	1,356	10,033,078
Student Transportation	5,300,867	14,150	437,499	-	5,752,516
Operation of Noninstructional Services	1,004,709	-	-	4,477,593	5,482,302
Debt Service					
Principal Retirement	-	-	-	3,800,000	3,800,000
Interest on Long-Term Debt	-	-	-	927,750	927,750
Issuance Costs	-	-	98,996	33,429	132,425
Facilities Acquisition	917,108	-	2,428,144	661,821	4,007,073
Total Expenditures	<u>69,302,054</u>	<u>6,222,641</u>	<u>3,442,793</u>	<u>16,843,591</u>	<u>95,811,079</u>
Excess (Deficiency) of Revenues Over Expenditures	3,596,214	371,658	(3,442,793)	(191,173)	333,906
Other Financing Sources (Uses)					
Transfers In	176,000	-	-	-	176,000
Transfers Out	-	(176,000)	-	-	(176,000)
Issuance of Long-Term Debt	-	-	9,175,000	-	9,175,000
Premium on Issuance of Long-Term Debt	-	-	1,100,252	416,480	1,516,732
Total Other Financing Sources (Uses)	<u>176,000</u>	<u>(176,000)</u>	<u>10,275,252</u>	<u>416,480</u>	<u>10,691,732</u>
Net Change in Fund Balances	3,772,214	195,658	6,832,459	225,307	11,025,638
Fund Balances					
Beginning of Year	<u>20,807,255</u>	<u>86,604</u>	<u>-</u>	<u>15,847,876</u>	<u>36,741,735</u>
End of Year	<u>\$ 24,579,469</u>	<u>\$ 282,262</u>	<u>\$ 6,832,459</u>	<u>\$ 16,073,183</u>	<u>\$ 47,767,373</u>

See accompanying Notes to the Basic Financial Statements.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances -Total Governmental Funds \$ 11,025,638

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditure for Capital Assets	\$ 4,645,749	
Depreciation Expense	<u>(7,699,988)</u>	(3,054,239)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Principal payments on long-term debt	3,800,000	
Issuance of long-term debt	(9,175,000)	
Premium on Issuance of bonds	(1,516,732)	
Amortization of bond premium	<u>115,228</u>	(6,776,504)

Delinquent property taxes and grants and other receivables that will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures are reported as deferred inflows of resources in the governmental funds.

Property taxes		162,388
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Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.

Pension contributions	5,191,995	
Pension expense	<u>(5,850,098)</u>	(658,103)

Some expenditures related to Other Postemployment Benefits recorded in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

237,244

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 the governmental funds.

Change in Compensated Absences		(23,841)
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The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the internal Service Fund is reported with governmental activities in the Statement of Activities.

(38,311)

Change in Net Position of Governmental Activities	<u>\$</u>	<u>874,272</u>
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FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Governmental Activities: Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 7,767,989</u>
NET POSITION	
Unrestricted	<u><u>\$ 7,767,989</u></u>

See accompanying Notes to the Basic Financial Statements.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2017

	Governmental Activities: Internal Service Funds
OPERATING REVENUES	
Contributions	\$ 8,566,817
OPERATING EXPENSES	
Premiums	8,650,652
Operating Loss	(83,835)
NONOPERATING REVENUES (EXPENSE)	
Investment Income	45,524
Change in Net Position	(38,311)
Total Net Position - Beginning of Year	7,806,300
TOTAL NET POSITION - END OF YEAR	\$ 7,767,989

See accompanying Notes to the Basic Financial Statements.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2017

	Governmental Activities: Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Contributions	\$ 8,566,817
Cash Payments for Premiums	<u>(8,650,652)</u>
Net Cash Flows Provided by Operating Activities	<u>(83,835)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>45,524</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (38,311)
Cash and Cash Equivalents - Beginning of Year	<u>7,806,300</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 7,767,989</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	<u>(83,835)</u>
Net Cash Used by Operating Activities	<u>\$ (83,835)</u>

See accompanying Notes to the Basic Financial Statements.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency Fund</u>
Assets	
Current Assets	
Cash and Investments	<u>\$ 386,915</u>
Liabilities	
Current Liabilities	
Due to Student Groups	<u>\$ 386,915</u>

See accompanying Notes to the Basic Financial Statements.

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FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Flagstaff Unified School District No. 1 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A summary of the District's more significant accounting policies follows.

A. Reporting Entity

The District is a special purpose government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. In evaluating how to define the District, for financial reporting purposes, management has identified the Employee Benefit Trust as a blended component unit as discussed below. The decision to include the blended component unit in the reporting entity has been made by applying criteria set forth in accounting principles generally accepted in the United States of America. The Employee Benefit Trust is a legally separate organization for which the elected officials of the primary government (i.e., the District) is financially accountable. The primary government is financially accountable for the blended component unit as it appoints a voting majority of the blended component unit's governing body. The blended component unit is described below:

Blended Component Unit – Blended component units, although legally separate entities, are, in substance, part of the District's operations. The Flagstaff Unified School District No. 1 Employee Benefit Trust is responsible for providing health insurance for the District's employees. The District's Governing Board appoints the Trust's Board of Directors. The Flagstaff Unified School District No. 1 Employee Benefit Trust provides services entirely to the District and therefore has been included as an Internal Service Fund in accordance with the criteria established by GASB. The component unit is an internal service fund and does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and other items not properly included among program revenues are reported instead as *general revenues*.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

When both restricted and unrestricted resources are available for use, for governmental activities it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, however, the District only reports agency funds in its fiduciary fund types, which do not present results of operations or a measurement focus. 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 provider have been met.

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, except expenditures related to compensated absences, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year (within one month), the expenditures and related liabilities have been recognized in the Debt Service Fund (Nonmajor Governmental Fund).

Property taxes, intergovernmental grants and aid, tuition, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

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. It is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.) and is budgeted within six subsections titled regular education, special education, pupil transportation, desegregation, K-3 reading program, and dropout prevention.

Special Projects Fund is a special revenue fund and accounts for activity related to grants from federal, state, and local governments.

Bond Building Fund accounts for proceeds from District bond issues that are expended on the acquisition or lease of sites; construction or renovation of school buildings; supplying school buildings with furniture, equipment, and technology; improving school grounds; or purchasing pupil transportation vehicles.

Additionally, the District reports the following fund types

The *Proprietary Fund* is an Internal Service Fund that accounts for activities related to the District's employee benefits insurance trust program.

The proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting and are presented in a single column. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for health and welfare benefits and charges to District departments for goods and services. Operating expenses for internal service funds include the cost of goods and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The *Agency Fund* is custodial in nature and does not present results of operations or a measurement focus and is described as follows:

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

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year-end were cash in bank and cash and investments held by the County Treasurer.

The District's cash and investments are considered to be cash on hand, demand deposits, cash and investments held by the State and County Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

A.R.S. requires 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.

A.R.S. authorize the District to separately invest public monies of the Bond Building and Debt Service Funds in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

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 102% of all deposits not covered by federal depository insurance.

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% 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.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

2. Property Taxes Receivables

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

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.

3. Intergovernmental Receivable

Intergovernmental receivables are comprised of federal grants and aid (\$1,564,385), instructional improvement funds (\$109,714), state and county equalization and additional state aid (\$5,144,329) and other miscellaneous intergovernmental receivables (\$509,294).

4. Short-Term Interfund Receivables/Payables

During the course of operations, individual funds within the District's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

5. Prepaids

Prepaids represent amounts paid by the District for a future benefit. Prepaids are recognized as an expense/expenditure in the governmental activities/government funds when the benefit is received.

6. Deposits

Deposits consist of a refundable deposit paid to and held by Mohave Educational Services Cooperative, Inc. for food purchases made through the cooperative.

7. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, construction in progress, furniture, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

7. Capital Assets (Continued)

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Donated capital assets, donated works of art, and similar items are reported at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	20 to 50 years
Improvements other than buildings	20 years
Furniture, equipment and vehicles	3 to 15 years

8. Deferred Outflows of Resources

The District recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

9. 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.

10. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 another financing source. Premiums received on debt issuances are reported as another financing source while discounts on debt issuances are reported as another financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

11. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and additions to/deductions from ASRS's fiduciary net position have been determined on the same basis as they are reported by ASRS. 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.

12. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2017 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund and the government-wide financial statements.

The District also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

13. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the District reports all District assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the District. Unrestricted net position is the remaining net position not included in the previous two categories.

14. Fund Balances

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 and spendable fund balances. Spendable fund balances include restricted, committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories or prepaid items, are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on the usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

14. Fund Balances (Continued)

The committed fund balances are self-imposed limitations approved by the Governing Board, which is the highest level of decision-making authority within the District. Only the Governing Board can remove or change the constraints placed on committed fund balances. The governing board must commit fund balances before the end of the fiscal year through formal board action.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Governing Board has authorized the Director of Finance, through formal action at a board meeting, to make assignments of resources for specific purposes.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned. In the current year the District did not report any negative fund balances.

It is the District's policy to utilize restricted fund balances first, then committed, assigned and unassigned fund balances when resources are available for the same purpose.

The District has classified its fund balances as follows:

	General Fund	Special Projects Fund	Bond Building	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Prepays	\$ 952,834	\$ -	\$ -	\$ -	\$ 952,834
Restricted:					
Classroom Site	-	-	-	5,479,261	5,479,261
Instructional Improvement	-	-	-	1,602,352	1,602,352
Federal and State Grants	-	282,262	-	-	282,262
Food Service	-	-	-	501,701	501,701
Civic Center	-	-	-	5,142,786	5,142,786
Community School	-	-	-	201,394	201,394
Extracurricular Tax Credit	-	-	-	1,167,584	1,167,584
Joint Technological Education Funds	-	-	-	636,723	636,723
Other Special Revenues	-	-	-	179,859	179,859
Capital Projects	-	-	6,832,459	427,736	7,260,195
Debt Service	-	-	-	733,787	733,787
Total Restricted	-	282,262	6,832,459	16,073,183	23,187,904
Unassigned	23,626,635	-	-	-	23,626,635
Total Fund Balance	<u>\$ 24,579,469</u>	<u>\$ 282,262</u>	<u>\$ 6,832,459</u>	<u>\$ 16,073,183</u>	<u>\$ 47,767,373</u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2017 consist of the following:

Deposits					
Cash in Bank		\$		10,202,346	
Investments					
Cash on Deposit with County Treasurer				42,827,861	
State Treasurer's Investment Pool				660,912	
Total Deposits and Investments				53,691,119	
Less: Fiduciary Funds				(386,915)	
Total Cash and Investments		\$		53,304,204	

Deposits - The carrying amount of the District's deposits at June 30, 2017, was \$10,202,346 and the bank balance was \$9,941,978. Of the bank balance, \$501,198 was covered by federal depository insurance and \$9,408,265 was collateralized through the Arizona State Treasurer's pooled collateral program. Uninsured and uncollateralized deposits were \$32,515.

Investments - At June 30, 2017, the District's investments were reported at fair value. The District's investment in the County Treasurer's investment pool represents a proportionate interest in those pools' portfolios; however, the District's portion is not identified with a specific investment and is not subject to custodial credit risk.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. The Local Government Investment Pool is reported at fair value.

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the average maturity of its investments to one year or less.

Credit risk. In accordance with the District's investment policy, the District only invests in the State or County Treasurer investment pools, U.S. government securities or state or local bonds. The District's cash on deposit with the County Treasurer and U.S. Treasury Securities did not receive a credit quality rating from a national credit rating agency.

Concentration of credit risk. The District does not have a formal investment policy that addresses concentration of credit risk.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are collected and within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources.

Governmental funds report other deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	<u>Unavailable</u>
Delinquent Property Taxes Receivable	
General Fund	\$ 1,059,386
Nonmajor Governmental Funds	101,421
	\$ 1,160,807

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,996,095	\$ -	\$ -	\$ 3,996,095
Construction in Progress	552,935	2,273,689	(2,455,518)	371,106
Total Capital Assets, Not Being Depreciated	<u>4,549,030</u>	<u>2,273,689</u>	<u>(2,455,518)</u>	<u>4,367,201</u>
Capital Assets, Being Depreciated:				
Land Improvements	27,174,957	1,071,490	-	28,246,447
Buildings and Improvements	174,023,004	3,051,591	-	177,074,595
Furniture, Equipment, and Vehicles	18,538,932	704,497	(124,199)	19,119,230
Total Capital Assets, Being Depreciated	<u>219,736,893</u>	<u>4,827,578</u>	<u>(124,199)</u>	<u>224,440,272</u>
Accumulated Depreciation for:				
Land Improvements	(11,314,253)	(1,121,917)	-	(12,436,170)
Buildings and Improvements	(103,376,534)	(5,376,387)	-	(108,752,921)
Furniture, Equipment, and Vehicles	(9,340,739)	(1,201,684)	124,199	(10,418,224)
Total Accumulated Depreciation	<u>(124,031,526)</u>	<u>(7,699,988)</u>	<u>124,199</u>	<u>(131,607,315)</u>
Total Capital Assets, Being Depreciated, Net	<u>95,705,367</u>	<u>(2,872,410)</u>	<u>-</u>	<u>92,832,957</u>
Governmental Activities Capital Assets, Net	<u>\$ 100,254,397</u>	<u>\$ (598,721)</u>	<u>\$ (2,455,518)</u>	<u>\$ 97,200,158</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 6,509,049
Support Services:	
Business and Other Support Services	291,008
Operations and Maintenance of Plant	107,287
Student Transportation	776,419
Operation of Noninstructional Services	16,225
	<u>\$ 7,699,988</u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Construction Commitments

The District has active construction projects at June 30, 2017 and the commitments with contractors were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining</u>
Flagstaff High School Metal Shop Remodel	<u>\$ 352,042</u>	<u>\$ 17,958</u>

B. Interfund Receivables, Payables, and Transfers

As of June 30, 2017, interfund receivables and payables were as follows:

<u>Due To</u>	<u>Due From</u> Special Projects Fund
General Fund	<u>\$ 935,227</u>

The above interfund receivables and payables were recorded to eliminate the cash shortfalls in individual funds at June 30, 2017. The District expects to recover the cash shortfalls within one year.

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u> Special Projects Fund
General Fund	<u>\$ 176,000</u>

The transfer from the Special Projects Fund to the General Fund in the amount of \$176,000 was made to record the District's indirect costs on grants passed through the Arizona Department of Education. The District did not exceed the approved indirect cost rate on any grants.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Obligations

Bonds payable at year-end consisted of the following outstanding general obligation bonds payable issued to provide funds for the acquisition and construction of major capital facilities. The bonds are noncallable with interest payable semiannually. Property taxes from the Debt Service Fund are used to pay bonded debt. Compensated absences and the other postemployment benefits obligation are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

During the current year, the District issued \$9,175,000 in School Improvement Bonds, Series 2017. The Bonds carry interest rates between 3% and 5% and will be fully paid in July 2026. The Bond was used to improve school grounds; purchase pupil transportation vehicles; supply school buildings with furniture, equipment, and technology; renovate and construct school buildings, and pay issuance costs.

General obligation bonds currently outstanding are as follows:

Purpose	Original Amount Issued	Interest Rates (%)	Maturity Dates	Amount Outstanding
Governmental Activities:				
General Obligation Bonds Payable:				
School Improvement Bonds, Series B (2010) (Class B)	\$ 23,100,000	3.0-3.5%	7/1/17-22	\$ 18,300,000
School Improvement Bonds, Series B (2013) (Class B)	10,600,000	1.5-3.0%	7/1/19-24	8,100,000
School Improvement Bonds, Series B (2017) (Class B)	9,175,000	3.0-5.0%	7/1/18-26	9,175,000
Total General Obligation Bonds Payable				<u>\$ 35,575,000</u>

Changes in long-term obligations for the year ended June 30, 2017 are as follows:

	Beginning of Year	Increases	Decreases	End of Year	Due within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 30,200,000	\$ 9,175,000	\$ (3,800,000)	\$ 35,575,000	\$ 3,950,000
Premium	561,464	1,516,732	(115,228)	1,962,968	-
Total Bonds Payable	<u>30,761,464</u>	<u>10,691,732</u>	<u>(3,915,228)</u>	<u>37,537,968</u>	<u>3,950,000</u>
Other Liabilities:					
Other Postemployment Benefits	2,455,338	-	(237,244)	2,218,094	-
Compensated Absences	909,318	507,534	(483,693)	933,159	359,241
Total Other Liabilities	<u>3,364,656</u>	<u>507,534</u>	<u>(720,937)</u>	<u>3,151,253</u>	<u>359,241</u>
Total Debt	<u>\$ 34,126,120</u>	<u>\$ 11,199,266</u>	<u>\$ (4,636,165)</u>	<u>\$ 40,689,221</u>	<u>\$ 4,309,241</u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2017 are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 3,950,000	\$ 1,378,065	\$ 5,328,065
2019	4,400,000	1,105,750	5,505,750
2020	4,600,000	976,000	5,576,000
2021	4,800,000	807,500	5,607,500
2022	5,125,000	636,750	5,761,750
2023-26	12,700,000	1,080,000	13,780,000
Totals	<u>\$ 35,575,000</u>	<u>\$ 5,984,065</u>	<u>\$ 41,559,065</u>

NOTE 3 OTHER INFORMATION

A. 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 established an Employee Benefit Trust Fund to account for future risk retention activities. The District's employees have health and accident insurance coverage with the Northern Arizona Public Employees Benefit Trust (NAPEBT). NAPEBT is a cooperative group of governmental entities that joined together to form a public entity risk pool for health and accident insurance coverage. The District pays a monthly premium to NAPEBT for employees' health and accident insurance coverage. The agreement provides that NAPEBT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts. Under this program, the Employee Benefit Trust Fund collects contributions and pays premiums on insurance.

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

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities

Lawsuits - The District is a defendant in various lawsuits and is vigorously defending those claims. The District utilizes the Arizona Risk Retention Trust's (ASRRT) prepaid legal service to handle legal action for the District. Additionally, as noted above the District is insured on any pending claims through the ASRRT insurance program. The District currently does not have any pending claims that would exceed the District's insurance policy.

C. Retirement Plans

Cost-Sharing Pension Plans

At June 30, 2017, the District reported the following related to pensions to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>
Net Pension Liability	\$ 82,272,314
Deferred Outflows of Resources	17,004,044
Deferred Inflows of Resources	10,012,597
Pension Expense	5,850,098

The District's accrued payroll and employee benefits included \$530,273 of outstanding pension contributions amounts payable to ASRS for the year ended June 30, 2017.

Arizona State Retirement System

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); 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. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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:

	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 year 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 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3 %	2.1% to 2.3 %

* With actuarially reduced benefits

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

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 year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48% (11.34% for retirement and 0.14% 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 11.48% (10.78% for retirement, 0.56% for the health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll.

In addition, the District was required by statute to contribute at the actuarially determined rate of 9.47% (9.17% for retirement, 0.21% for the health insurance premium benefit, and 0.09% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS.

The District's contributions to the pension plan for the year ended June 30, 2017, were \$5,191,995.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The District's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2017	\$ 269,714	\$ 67,429
2016	238,874	57,330
2015	265,092	53,917

During the fiscal year ended June 30, 2017, the District paid for ASRS pension and OPEB contributions as follows: 88% from the General Fund and 12% from other funds.

Pension Liability – At June 30, 2017, the District reported a liability of \$82,272,314 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The District's reported liability at June 30, 2017, increased by \$5,410,165 from the District's prior year liability of \$76,862,149 because of changes in the ASRS' net pension liability and the District's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The District's proportion of the net pension liability was based on the District's fiscal year 2016 contributions. The District's proportion measured as of June 30, 2016, was 0.50971%, which was an increase of 0.01626 from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2017 the District recognized pension expense for ASRS of \$5,850,098. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources listed on the next page:

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 499,963	\$ 5,659,734
Changes of assumptions or other inputs	-	4,352,863
Net difference between projected and actual earnings on pension plan investments	8,915,580	-
Changes in proportion and differences between District's contributions and proportionate share of contributions	2,396,506	-
Contributions subsequent to the measurement date	5,191,995	-
Total	\$ 17,004,044	\$ 10,012,597

The \$5,191,995 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ (2,542,668)
2019	(1,957,811)
2020	3,800,030
2021	2,499,901

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

Actuarial Valuation Date	June 30, 2015
Actuarial Roll Forward Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Discount Rate	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2012.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%	3.90%
Fixed Income	25%	3.70%	0.93%
Real Estate	10%	4.25%	0.42%
Commodities	2%	3.84%	0.08%
Multi-asset class	5%	3.41%	0.17%
Total	100%		5.50%
Inflation			3.25%
Expected Arithmetic Nominal Return			8.75%

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.75%. 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 statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	\$ 104,903,448	\$ 82,272,314	\$ 64,127,092

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

D. Other Postemployment Benefits

Plan Description – Under authority of the Governing Board, the District provides postretirement insurance (health and dental) benefits, for certain retirees in accordance with the Flagstaff Unified School District Retirement Plan (Plan). The plan is a single-employer defined benefit plan administered by the District. The District contributes 100% of these premiums for teachers and support staff who retire with 15 years of service at the District and attained age of 50 and for administrators who retire with 10 years of service at the District and reach the age of 55, for employees who retired prior to fiscal year 2010. Employees who retire after 2010 are allowed to join the District’s health insurance plan at the same premium rates offered to employees. For the current fiscal year, the District contributed \$1,374,077 for these benefits. The District’s regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued the plan. The number of participants as of the effective date of the biannual OPEB valuation, follows.

Benefits Provided – The District provides postretirement insurance (medical and dental) benefits (OPEB), in accordance with the District’s Post Employment Benefit Plan, to eligible employees. Currently, 171 retirees meet those eligibility requirements.

Retirees Receiving Benefits	171
Active Employees	<u>1,072</u>
Total	<u><u>1,243</u></u>

Funding Policy – The District currently pays for postemployment benefits on a pay-as-you go basis. Generally, resources from the General Fund are used to pay for postemployment benefits.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (Continued)

Annual OPEB Costs and Net OPEB Obligation – The District’s annual other postemployment benefit (OPEB) cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The amortization method is open ended. The District’s annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2017:

Annual Required Contribution	\$ 1,177,080
Interest on Net OPEB Obligation	110,490
Adjustments to Annual Required Contributions	<u>(150,737)</u>
Annual OPEB cost	1,136,833
Contributions Made	<u>(1,374,077)</u>
Increase in Net OPEB Obligation	(237,244)
Net OPEB Obligation - Beginning of Year	<u>2,455,338</u>
Net OPEB Obligation - End of Year	<u><u>\$ 2,218,094</u></u>

The District has underfunded the OPEB obligation and reports the underfunded amount as a liability in the government-wide financial statements. The District’s annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior years are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percent Contributed	Net OPEB Obligation
2015	\$ 839,597	\$ 1,048,728	125%	\$ 3,246,180
2016	843,025	1,633,867	194%	2,455,338
2017	1,136,833	1,374,077	121%	2,218,094

Funded Status and Funding Progress – The funded status of the plan as of July 1, 2016 (the most recent actuarial valuation date) was as follows:

Actuarially Accrued Liability	\$ 9,796,471
Actuarial Value of Assets	<u>-</u>
Unfunded Actuarially Accrued Liability	<u><u>\$ 9,796,471</u></u>
Covered Payroll	\$ 45,639,555
Unfunded Actuarially Accrued Liability as a Percentage of Covered Payroll	21%

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 OTHER INFORMATION (CONTINUED)

D. Other Postemployment Benefits (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions for the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the District and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for the current valuation are as follows:

Actuarial Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age, Level Dollar
Amortization Method	30-Year Amortization Open
Remaining Amortization Period	30 years as of July 1, 2016
Asset Valuation Method	N/A; no assets in OPEB trust
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Healthcare Trend Rate	7.00%, graded down to ultimate rate of 5.00% over 8 years.
Drug cost trend rate	7.00%, graded down to ultimate rate of 5.00% over 8 years.
Inflation rate	N/A

Required Supplementary Information Other Than MD&A

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**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY AND CONTRIBUTIONS
COST SHARING PENSION PLANS
JUNE 30, 2017**

Schedule of the District's Proportionate Share of the Net Pension Liability

	June 30 (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
District's Proportion of the Net Pension Liability	0.50971%	0.49345%	0.47582%
District's Proportionate Share of the Net Pension Liability	\$ 82,272,314	\$ 76,862,149	\$ 72,095,114
District's Covered Payroll	\$ 47,055,941	\$ 44,746,009	\$ 43,281,345
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.84%	171.77%	166.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.06%	68.35%	69.49%

Schedule of the District's Contributions

	June 30		
	2017	2016	2015
Contractually Required Contribution	\$ 5,191,995	\$ 5,183,572	\$ 4,892,962
Contributions in Relation to the Contractually Required Contribution	5,191,995	5,183,572	4,892,962
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 48,875,110	\$ 47,055,941	\$ 44,746,009
Contributions as a Percentage of Covered Payroll	10.62%	11.02%	10.93%

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
 REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT BENEFIT PLAN
 JUNE 30, 2017**

Schedule of Funding Progress

Valuation Date June 30,	Actuarial Value of Assets	Projected Unit Cost Actuarial Accrued Liability (AAL)	Percent Funded	Under (Over) Funded AAL	Annual Covered Payroll	Underfunded AAL as a Percentage of Covered Payroll
2016	\$ -	\$ 9,796,471	\$ -	\$ 9,796,471	\$ 45,639,555	21%
2014	-	8,870,081	-	8,870,081	41,857,394	21%

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND – BUDGETARY BASIS
FISCAL YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ -	\$ -	\$ 47,389,519	\$ 47,389,519
Intergovernmental	-	-	18,049,530	18,049,530
Tuition	-	-	224,919	224,919
Investment Earnings	-	-	53,872	53,872
Other	-	-	128,457	128,457
Total Revenues	-	-	65,846,297	65,846,297
Expenditures				
Regular Education				
Instruction	28,667,467	27,224,092	23,917,186	3,306,906
Support Services - Students	2,219,930	2,219,930	2,398,853	(178,923)
Support Services - Instructional Staff	2,602,677	2,602,677	2,373,067	229,610
Support Services - General Administration	626,024	626,024	931,094	(305,070)
Support Services - School Administration	3,552,000	3,552,000	3,505,059	46,941
Support Services - Business	2,467,400	2,467,400	2,400,753	66,647
Operations and Maintenance of Plant	7,923,500	7,923,500	9,439,601	(1,516,101)
Operation of Noninstructional Services	201,902	201,902	125,593	76,309
School Sponsored Cocurricular Activities	160,360	160,360	87,652	72,708
School Sponsored Athletics	300,140	300,140	215,508	84,632
Other Instructional Programs	36,000	36,000	-	36,000
Total Regular Education	48,757,400	47,314,025	45,394,366	1,919,659
Special Education				
Instruction	6,729,255	7,679,255	4,551,755	3,127,500
Support Services - Students	2,832,745	2,832,745	3,375,910	(543,165)
Support Services - Instructional Staff	208,000	208,000	1,155,314	(947,314)
Total Special Education	9,770,000	10,720,000	9,082,979	1,637,021
Desegregation				
Student Transportation Services	2,241,322	2,241,322	2,241,324	(2)
K-3 Reading Program	5,265,000	5,265,000	5,160,715	104,285
Dropout Prevention Program	426,150	426,269	426,269	-
Dropout Prevention Program	115,870	115,870	115,872	(2)
Total Expenditures	66,575,742	66,082,486	62,421,525	3,660,961
Excess (Deficiency) of Revenues Over Expenditures	(66,575,742)	(66,082,486)	3,424,772	69,507,258
Fund Balance				
Beginning of Year	-	-	2,898,295	2,898,295
End of Year	\$ (66,575,742)	\$ (66,082,486)	\$ 6,323,067	\$ 72,405,553

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
SPECIAL PROJECTS FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ -	\$ 6,592,744	\$ 6,592,744
Investment Earnings	-	1,555	1,555
Total Revenues	<u>-</u>	<u>6,594,299</u>	<u>6,594,299</u>
Expenditures			
Current			
Instruction	5,194,243	2,990,001	2,204,242
Support Services			
Students	1,248,022	718,408	529,614
Instructional Staff	3,791,016	2,182,251	1,608,765
General Administration	513,836	295,783	218,053
Business and Other Support Services	23,722	13,655	10,067
Operations and Maintenance of Plant	14,580	8,393	6,187
Student Transportation	24,581	14,150	10,431
Total Expenditures	<u>10,810,000</u>	<u>6,222,641</u>	<u>4,587,359</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,810,000)	371,658	11,181,658
Other Financing Sources (Uses)			
Transfers Out	<u>-</u>	<u>(176,000)</u>	<u>(176,000)</u>
Net Change in Fund Balance	(10,810,000)	195,658	11,005,658
Fund Balance			
Beginning of Year	<u>-</u>	<u>86,604</u>	<u>86,604</u>
End of Year	<u><u>\$ (10,810,000)</u></u>	<u><u>\$ 282,262</u></u>	<u><u>\$ 11,092,262</u></u>

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A
FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 COST SHARING PENSION PLAN

Information prior to the measurement date (June 30, 2014) was not available. Information will be presented as it becomes available.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLAN

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.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District adopts an annual operating budget for expenditures for all governmental fund types on essentially the same modified accrual basis of accounting used to record actual expenditures (See Note 4 to required supplementary information for exception). The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted the budget can be increased or decreased only for specific reasons set forth in the A.R.S. All appropriations lapse at year-end.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within six subsections (see the notes to the financial statements for a description of General Fund), any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

Although it is not adopted or published, a budget of revenue from all sources for the fiscal year is prepared by the District; however, the budget is not revised during the fiscal year.

No supplementary budgetary appropriations were necessary during the year.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A
FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 BASIS OF ACCOUNTING

The General Fund budgetary comparison schedules are prepared on the budgetary basis of accounting. See the reconciliation of the General Fund Statement of Revenues Expenditures and Changes in Fund Balances Budget to Actual to the Statement of Revenues, Expenditures, and Changes in Fund Balances below.

Arizona school districts are allowed to analyze budget capacity at year-end and are able to charge certain allowable expenditures, such as prepaid insurance, for the subsequent year against the current year budget during the 60-day encumbrance period.

For external reporting purposes, the General Fund includes revenues, expenditures, other financing sources, and uses and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund. Therefore the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 72,898,268	\$ 69,302,054	\$ 176,000	\$ 20,807,255	\$ 24,579,469
Non Maintenance and Operation Activity Included in General Fund	(7,051,971)	(6,449,835)	(176,000)	(17,908,960)	(18,687,096)
Prior year prepaid items	-	(1,383,528)	-	-	1,383,528
Current year prepaid items	-	952,834	-	-	(952,834)
Budgetary Comparison Schedule - General Fund	<u>\$ 65,846,297</u>	<u>\$ 62,421,525</u>	<u>\$ -</u>	<u>\$ 2,898,295</u>	<u>\$ 6,323,067</u>

**Combining and Individual Fund
Statements and Schedules**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Instructional Improvement Fund - accounts for revenues and expenditures for State apportioned Indian Gaming monies.

Civic Center Fund - accounts for restricted monies received from the rental of school facilities for civic activities.

Food Service Fund - accounts for the financial operations of preparing and serving regular and incidental meals and snacks in connection with school functions.

Classroom Sites Fund - accounts for the portion of states sales tax collections and permanent state school fund earnings the District receives as approved by voters in 2000 as part of Proposition 301 restricted for classroom purposes.

Other Special Revenue Fund - accounts for monies received from various sources in which the spending of funds is restricted for a specific project or purpose.

DEBT SERVICE FUNDS

Debt Service Fund - accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

CAPITAL PROJECTS FUNDS

Adjacent Ways Fund - accounts for monies received to finance such improvements as public streets or alleys adjacent to school property.

Building Renewal Fund - accounts 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.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue					Total Special Revenue Funds
	Instructional Improvement	Civic Center	Food Service	Classroom Sites	Other Special Revenue	
Assets						
Cash and Investments	\$ 1,500,790	\$ 5,081,458	\$ 416,889	\$ 5,713,853	\$ 2,425,660	\$ 15,138,650
Receivables						
Accounts Receivable	-	80,176	40,611	-	158,014	278,801
Property Taxes	-	-	-	-	-	-
Intergovernmental	109,714	-	59,730	-	-	169,444
Deposits	-	-	113,227	-	-	113,227
Total Assets	<u>1,610,504</u>	<u>5,161,634</u>	<u>630,457</u>	<u>5,713,853</u>	<u>2,583,674</u>	<u>15,700,122</u>
Liabilities, Deferred Inflows □ of Resources and Fund Balances						
Liabilities						
Accounts Payable	-	13,343	128,756	-	222,859	364,958
Accrued Wages and Benefits	8,152	5,505	-	234,592	175,255	423,504
Total Liabilities	8,152	18,848	128,756	234,592	398,114	788,462
Deferred Inflows of Resources						
Unavailable Revenue	-	-	-	-	-	-
Fund Balances						
Restricted	1,602,352	5,142,786	501,701	5,479,261	2,185,560	14,911,660
Total Liabilities, Deferred Inflows □ of Resources and Fund Balances	<u>\$ 1,610,504</u>	<u>\$ 5,161,634</u>	<u>\$ 630,457</u>	<u>\$ 5,713,853</u>	<u>\$ 2,583,674</u>	<u>\$ 15,700,122</u>

<u>Capital Projects</u>				
<u>Debt Service</u>	<u>Adjacent Ways</u>	<u>Building Renewal</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 705,640	\$ 469,330	\$ -	\$ 469,330	\$ 16,313,620
-	-	-	-	278,801
123,761	7,413	-	7,413	131,174
-	-	-	-	169,444
-	-	-	-	113,227
<u>829,401</u>	<u>476,743</u>	<u>-</u>	<u>476,743</u>	<u>17,006,266</u>
-	43,200	-	43,200	408,158
-	-	-	-	423,504
-	43,200	-	43,200	831,662
<u>95,614</u>	<u>5,807</u>	<u>-</u>	<u>5,807</u>	<u>101,421</u>
<u>733,787</u>	<u>427,736</u>	<u>-</u>	<u>427,736</u>	<u>16,073,183</u>
<u>\$ 829,401</u>	<u>\$ 476,743</u>	<u>\$ -</u>	<u>\$ 476,743</u>	<u>\$ 17,006,266</u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2017**

	Special Revenue					Total Special Revenue Funds
	Instructional Improvement	Civic Center	Food Service	Classroom Sites	Other Special Revenue	
Revenues						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	390,807	-	2,213,438	3,806,817	1,050,423	7,461,485
Tuition	-	-	-	-	1,557,310	1,557,310
Food Service Sales	-	-	677,234	-	-	677,234
Charges for Services	-	488,075	-	-	58,583	546,658
Contributions and Donations	-	-	-	-	1,174,811	1,174,811
Investment Earnings	10,703	43,987	2,566	49,976	8,597	115,829
Other	-	-	-	-	9,210	9,210
Total Revenues	401,510	532,062	2,893,238	3,856,793	3,858,934	11,542,537
Expenditures						
Current						
Instruction	-	506,074	-	3,952,670	2,220,060	6,678,804
Support Services						
Students	-	-	-	-	219,833	219,833
Instructional Staff	-	419	-	-	713	1,132
Business and Other Support Services	-	41,873	-	-	-	41,873
Operations and Maintenance of Plant	-	-	-	-	-	-
Operation of Noninstructional Services	-	-	2,951,180	-	1,526,413	4,477,593
Debt Service						
Principal Retirement	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-
Issuance Costs	-	-	-	-	-	-
Capital Outlay						
Facilities Acquisition	-	37,456	-	-	352,042	389,498
Total Expenditures	-	585,822	2,951,180	3,952,670	4,319,061	11,808,733
Excess (Deficiency) of Revenues Over Expenditures	401,510	(53,760)	(57,942)	(95,877)	(460,127)	(266,196)
Other Financing Sources (Uses)						
Discount on Issuance of Long-term Debt	-	-	-	-	-	-
Net Change in Fund Balances	401,510	(53,760)	(57,942)	(95,877)	(460,127)	(266,196)
Fund Balances						
Beginning of Year	1,200,842	5,196,546	559,643	5,575,138	2,645,687	15,177,856
End of Year	\$ 1,602,352	\$ 5,142,786	\$ 501,701	\$ 5,479,261	\$ 2,185,560	\$ 14,911,660

Debt Service	Capital Projects			Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Adjacent Ways	Building Renewal			
\$ 4,776,551	\$ 276,484	\$ -	\$ 276,484	\$ 5,053,035	
-	-	9,311	9,311	7,470,796	
-	-	-	-	1,557,310	
-	-	-	-	677,234	
-	-	-	-	546,658	
-	-	-	-	1,174,811	
40,727	6,311	-	6,311	162,867	
-	497	-	497	9,707	
<u>4,817,278</u>	<u>283,292</u>	<u>9,311</u>	<u>292,603</u>	<u>16,652,418</u>	
-	-	-	-	6,678,804	
-	-	-	-	219,833	
-	-	-	-	1,132	
-	-	-	-	41,873	
-	-	1,356	1,356	1,356	
-	-	-	-	4,477,593	
3,800,000	-	-	-	3,800,000	
927,750	-	-	-	927,750	
33,429	-	-	-	33,429	
-	264,368	7,955	272,323	661,821	
<u>4,761,179</u>	<u>264,368</u>	<u>9,311</u>	<u>273,679</u>	<u>16,843,591</u>	
56,099	18,924	-	18,924	(191,173)	
<u>416,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>416,480</u>	
472,579	18,924	-	18,924	225,307	
<u>261,208</u>	<u>408,812</u>	<u>-</u>	<u>408,812</u>	<u>15,847,876</u>	
<u>\$ 733,787</u>	<u>\$ 427,736</u>	<u>\$ -</u>	<u>\$ 427,736</u>	<u>\$ 16,073,183</u>	

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
BOND BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures			
Current			
Support Services			
Instructional Staff	1,256,145	\$ 424,401	\$ 831,744
Operations and Maintenance of Plant	159,098	53,753	105,345
Student Transportation	1,294,912	437,499	857,413
Debt Service			
Issuance Costs	293,009	98,996	194,013
Facilities Acquisition	7,186,836	2,428,144	4,758,692
Total Expenditures	<u>10,190,000</u>	<u>3,442,793</u>	<u>6,747,207</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,190,000)	(3,442,793)	6,747,207
Other Finance Sources (Uses)			
Proceeds of Issuance of Long-term Debt	-	9,175,000	9,175,000
Premium on Issuance of Long-term Debt	-	1,100,252	1,100,252
Total Other Finance Sources (Uses)	<u>-</u>	<u>10,275,252</u>	<u>10,275,252</u>
Net Change in Fund Balance	(10,190,000)	6,832,459	17,022,459
Fund Balance			
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ (10,190,000)</u>	<u>\$ 6,832,459</u>	<u>\$ 17,022,459</u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
INSTRUCTIONAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ -	\$ 390,807	\$ 390,807
Investment Earnings	-	10,703	10,703
Total Revenues	<u>-</u>	<u>401,510</u>	<u>401,510</u>
Expenditures			
Current			
Instruction	<u>470,000</u>	<u>-</u>	<u>470,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(470,000)	401,510	871,510
Fund Balance			
Beginning of Year	<u>-</u>	<u>1,200,842</u>	<u>1,200,842</u>
End of Year	<u><u>\$ (470,000)</u></u>	<u><u>\$ 1,602,352</u></u>	<u><u>\$ 2,072,352</u></u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
CIVIC CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Charges for Services	\$ -	\$ 488,075	\$ 488,075
Investment Earnings	-	43,987	43,987
Total Revenues	<u>-</u>	<u>532,062</u>	<u>532,062</u>
Expenditures			
Current			
Instruction	3,023,545	506,074	2,517,471
Support Services			
Instructional Staff	2,503	419	2,084
Business and Other Support Services	250,171	41,873	208,298
Facilities Acquisition	223,781	37,456	186,325
Total Expenditures	<u>3,500,000</u>	<u>585,822</u>	<u>2,914,178</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,500,000)	(53,760)	3,446,240
Fund Balance			
Beginning of Year	<u>-</u>	<u>5,196,546</u>	<u>5,196,546</u>
End of Year	<u><u>\$ (3,500,000)</u></u>	<u><u>\$ 5,142,786</u></u>	<u><u>\$ 8,642,786</u></u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ -	\$ 2,213,438	\$ 2,213,438
Food Service Sales	-	677,234	677,234
Investment Earnings	-	2,566	2,566
Total Revenues	<u>-</u>	<u>2,893,238</u>	<u>2,893,238</u>
Expenditures			
Current			
Operation of Noninstructional Services	<u>3,000,000</u>	<u>2,951,180</u>	<u>48,820</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,000,000)	(57,942)	2,942,058
Fund Balance			
Beginning of Year	<u>-</u>	<u>559,643</u>	<u>559,643</u>
End of Year	<u>\$ (3,000,000)</u>	<u>\$ 501,701</u>	<u>\$ 3,501,701</u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
CLASSROOM SITE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 3,806,817	\$ 3,806,817
Investment Earnings	-	-	49,976	49,976
Total Revenues	-	-	3,856,793	3,856,793
Expenditures				
Current				
Instruction	9,404,190	8,834,187	3,952,670	4,881,517
Support Services				
Students	83,538	83,538	-	83,538
Instructional Staff	29,305	29,305	-	29,305
Total Expenditures	9,517,033	8,947,030	3,952,670	4,994,360
Excess (Deficiency) of Revenues Over Expenditures	(9,517,033)	(8,947,030)	(95,877)	8,851,153
Fund Balance				
Beginning of Year	-	-	5,575,138	5,575,138
End of Year	\$ (9,517,033)	\$ (8,947,030)	\$ 5,479,261	\$ 14,426,291

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
OTHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ -	\$ 1,050,423	\$ 1,050,423
Tuition	-	1,557,310	1,557,310
Contributions and Donations	-	1,174,811	1,174,811
Charges for Services	-	58,583	58,583
Investment Earnings	-	8,597	8,597
Other	-	9,210	9,210
Total Revenues	<u>-</u>	<u>3,858,934</u>	<u>3,858,934</u>
Expenditures			
Current			
Instruction	1,793,397	2,220,060	(426,663)
Support Services			
Students	177,584	219,833	(42,249)
Instructional Staff	576	713	(137)
Operation of Noninstructional Services	1,233,059	1,526,413	(293,354)
Facilities Acquisition	284,385	352,042	(67,657)
Total Expenditures	<u>3,489,000</u>	<u>4,319,061</u>	<u>(830,061)</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,489,000)	(460,127)	3,028,873
Fund Balance			
Beginning of Year	<u>-</u>	<u>2,645,687</u>	<u>2,645,687</u>
End of Year	<u>\$ (3,489,000)</u>	<u>\$ 2,185,560</u>	<u>\$ 5,674,560</u>

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Property Taxes	\$ -	\$ 4,776,551	\$ 4,776,551
Investment Earnings	-	40,727	40,727
Total Revenues	-	4,817,278	4,817,278
Expenditures			
Debt Service			
Principal Retirement	3,773,320	3,800,000	(26,680)
Interest on Long-Term Debt	921,236	927,750	(6,514)
Issuance Costs	33,194	33,429	(235)
Total Expenditures	4,727,750	4,761,179	(33,429)
Excess (Deficiency) of Revenues Over Expenditures	(4,727,750)	56,099	4,783,849
Other Financing Sources (Uses)			
Premium on Issuance of Long-Term Debt	-	416,480	416,480
Net Change in Fund Balance	(4,727,750)	472,579	5,200,329
Fund Balance			
Beginning of Year	-	261,208	261,208
End of Year	\$ (4,727,750)	\$ 733,787	\$ 5,461,537

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
 ADJACENT WAYS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property Taxes	\$ -	\$ 276,484	\$ 276,484
Investment Earnings	-	6,311	6,311
Other	-	497	497
Total Revenues	<u>-</u>	<u>283,292</u>	<u>283,292</u>
Expenditures			
Facilities Acquisition	<u>750,000</u>	<u>264,368</u>	<u>485,632</u>
Excess (Deficiency) of Revenues Over Expenditures	(750,000)	18,924	768,924
Fund Balance			
Beginning of Year	<u>-</u>	<u>408,812</u>	<u>408,812</u>
End of Year	<u>\$ (750,000)</u>	<u>\$ 427,736</u>	<u>\$ 1,177,736</u>

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
BUILDING RENEWAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ -	\$ 9,311	\$ 9,311
Expenditures			
Current			
Support Services:			
Operations and Maintenance of Plant	-	1,356	(1,356)
Facilities Acquisition	670,000	7,955	662,045
Total Expenditures	670,000	9,311	660,689
Excess (Deficiency) of Revenues Over Expenditures	(670,000)	-	670,000
Fund Balance			
Beginning of Year	-	-	-
End of Year	\$ (670,000)	\$ -	\$ 670,000

AGENCY FUND

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

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FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Student Activities Fund				
Assets				
Cash and Investments	<u>\$ 353,695</u>	<u>\$ 372,767</u>	<u>\$ (339,547)</u>	<u>\$ 386,915</u>
Liabilities				
Due to Student Groups	<u>\$ 353,695</u>	<u>\$ 372,767</u>	<u>\$ (339,547)</u>	<u>\$ 386,915</u>

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STATISTICAL SECTION

This section of the Flagstaff Unified School District No. 1's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

See the table of contents for page numbers of the schedules that encompass the above sections.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities				
Net Investment in Capital Assets	\$ 73,742,549	\$ 78,880,784	\$ 79,461,036	\$ 78,653,913
Restricted	5,879,117	9,696,387	13,706,645	12,108,480
Unrestricted	25,800,419	19,324,717	10,507,536	18,387,578
Total Governmental Activities Net Position	<u>\$ 105,422,085</u>	<u>\$ 107,901,888</u>	<u>\$ 103,675,217</u>	<u>\$ 109,149,971</u>

Source: District's Business and Finance Department.

Fiscal Year

2012	2013	2014	2015	2016	2017
\$ 76,892,579	\$ 72,591,450	\$ 72,580,404	\$ 70,824,399	\$ 69,492,933	\$ 66,494,649
14,063,485	17,352,289	19,028,795	19,229,970	16,025,502	16,456,866
20,421,936	20,579,300	12,894,480	(57,575,087)	(48,466,468)	(45,025,276)
<u>\$ 111,378,000</u>	<u>\$ 110,523,039</u>	<u>\$ 104,503,679</u>	<u>\$ 32,479,282</u>	<u>\$ 37,051,967</u>	<u>\$ 37,926,239</u>

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities:				
Instruction	\$ 54,901,439	\$ 56,248,908	\$ 57,975,097	\$ 52,506,036
Support Services:				
Support Services - Students and Staff	12,400,608	13,780,090	13,750,918	12,446,836
Support Services - Administration	7,352,210	7,894,051	8,364,044	7,122,636
Operation and Maintenance of Plant	10,587,627	9,455,909	9,519,331	9,499,615
Student Transportation	6,753,887	7,745,051	5,081,164	5,170,882
Operation of Noninstructional Services	5,115,116	5,160,175	5,193,494	4,422,828
Interest on Long-Term Debt	1,203,285	925,928	977,057	1,738,206
Total Expenses	<u>98,314,172</u>	<u>101,210,112</u>	<u>100,861,105</u>	<u>92,907,039</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Instruction	2,982,448	3,491,777	4,929,661	2,327,893
Operation of Noninstructional Services	2,701,794	2,080,793	1,777,933	2,776,751
Other Activities	589,380	649,534	562,106	766,136
Operating Grants and Contributions	10,393,692	10,727,560	12,119,261	11,359,887
Capital Grants and Contributions	551,125	1,058,272	1,254,620	501,906
Total Program Revenues	<u>17,218,439</u>	<u>18,007,936</u>	<u>20,643,581</u>	<u>17,732,573</u>
Net (Expense)/Revenue				
Governmental Activities	(81,095,733)	(83,202,176)	(80,217,524)	(75,174,466)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property Taxes	45,302,575	51,837,632	43,905,236	53,592,439
Aid	40,950,111	32,309,862	25,396,607	22,379,829
County Equalization	-	-	2,317,845	2,769,047
Federal Aid	520,854	492,322	3,792,143	1,489,161
Investment Earnings	1,077,946	1,042,163	579,022	418,744
Other	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-
Total Governmental Activities	<u>87,851,486</u>	<u>85,681,979</u>	<u>75,990,853</u>	<u>80,649,220</u>
Change in Net Position				
Governmental Activities	<u>\$ 6,755,753</u>	<u>\$ 2,479,803</u>	<u>\$ (4,226,671)</u>	<u>\$ 5,474,754</u>

Source: The District's Business and Finance Department.

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 50,581,257	\$ 49,314,158	\$ 48,339,215	\$ 50,862,129	\$ 47,594,635	\$ 50,720,150	
13,763,395	12,354,311	11,160,837	12,398,371	15,463,111	14,071,430	
7,090,800	6,798,178	6,471,223	7,276,054	7,953,133	8,201,129	
9,060,263	9,299,468	9,011,245	9,379,201	9,199,529	10,105,503	
4,598,245	4,902,760	5,015,935	5,454,567	5,503,724	6,087,018	
4,293,003	4,735,341	4,918,897	5,211,390	5,563,037	5,348,448	
1,339,922	980,109	1,328,385	1,086,270	937,097	944,947	
<u>90,726,885</u>	<u>88,384,325</u>	<u>86,245,737</u>	<u>91,667,982</u>	<u>92,214,266</u>	<u>95,478,625</u>	
1,831,968	2,671,115	3,161,210	3,789,138	1,430,277	1,718,739	
2,786,394	765,247	1,801,710	1,988,583	2,211,091	2,000,776	
815,508	1,923,818	1,108,216	390,807	227,222	40,899	
11,722,322	11,774,606	11,746,229	11,418,061	17,969,556	18,317,270	
290,865	456,892	294,433	777,375	-	-	
<u>17,447,057</u>	<u>17,591,678</u>	<u>18,111,798</u>	<u>18,363,964</u>	<u>21,838,146</u>	<u>22,077,684</u>	
(73,279,828)	(70,792,647)	(68,133,939)	(73,304,018)	(70,376,120)	(73,400,941)	
52,730,695	52,291,587	48,427,395	47,661,732	51,497,657	53,967,756	
18,733,019	13,728,609	17,061,384	16,592,063	15,843,445	15,804,730	
2,563,473	1,970,751	2,603,543	2,456,453	2,746,497	2,711,520	
1,041,994	1,454,036	1,108,220	1,673,365	1,417,214	557,504	
438,676	418,578	371,247	227,582	365,571	415,759	
-	-	-	-	644,934	817,944	
-	-	-	-	2,433,487	-	
<u>75,507,857</u>	<u>69,863,561</u>	<u>69,571,789</u>	<u>68,611,195</u>	<u>74,948,805</u>	<u>74,275,213</u>	
<u>\$ 2,228,029</u>	<u>\$ (929,086)</u>	<u>\$ 1,437,850</u>	<u>\$ (4,692,823)</u>	<u>\$ 4,572,685</u>	<u>\$ 874,272</u>	

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Reserved	\$ -	\$ -	\$ -	
Unreserved	5,416,955	1,928,931	(1,626,162)	
Nonspendable				\$ 3,202,600
Restricted				-
Assigned				-
Unassigned				13,118,649
Total General Fund	\$ 5,416,955	\$ 1,928,931	\$ (1,626,162)	\$ 16,321,249
All Other Governmental Funds				
Reserved	\$ 62,445	\$ 60,288	\$ -	
Unreserved, Reported in:				
Special Revenue Funds	11,369,452	10,768,954	9,395,386	
Debt Service Funds	58,981	1,287,874	1,536,384	
Capital Projects Funds	13,031,989	21,189,627	32,028,065	
Nonspendable				\$ -
Restricted				20,820,586
Unassigned				(259,082)
Total All Other Governmental Funds	\$ 24,522,867	\$ 33,306,743	\$ 42,959,835	\$ 20,561,504

Source: The District's Business and Finance Department.

Note: During the fiscal year 2010-11, the District restated fund balance classifications as a result of the implementation of GASB Statement No. 54.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 1,577,801	\$ 3,789,042	\$ 2,198,955	\$ 787,801	\$ -	\$ 952,834
-	-	-	-	-	-
-	-	-	-	-	-
17,647,572	15,618,153	14,740,323	12,514,263	20,807,255	23,626,635
<u>\$ 19,225,373</u>	<u>\$ 19,407,195</u>	<u>\$ 16,939,278</u>	<u>\$ 13,302,064</u>	<u>\$ 20,807,255</u>	<u>\$ 24,579,469</u>

\$ 499,556	\$ -	\$ -	\$ -	\$ -	\$ -
69,029,812	25,972,397	22,264,408	19,183,501	15,934,480	23,187,904
(4,391,730)	-	(58,111)	(5,500)	-	-
<u>\$ 65,137,638</u>	<u>\$ 25,972,397</u>	<u>\$ 22,206,297</u>	<u>\$ 19,178,001</u>	<u>\$ 15,934,480</u>	<u>\$ 23,187,904</u>

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
Federal Sources				
Federal grants	\$ 8,627,319	\$ 8,612,022	\$ 10,409,889	\$ 9,023,786
State Fiscal Stabilization (ARRA)	-	-	3,636,252	229,721
Education Jobs	-	-	-	1,244,332
Impact Aid	520,854	492,322	428,319	567,623
National School Lunch Program	1,674,941	1,725,390	1,857,979	1,818,990
Total Federal Sources	<u>10,823,114</u>	<u>10,829,734</u>	<u>16,332,439</u>	<u>12,884,452</u>
State Sources				
State Equalization Assistance	33,868,156	29,216,285	22,305,268	19,591,197
State Grants	548,886	1,121,563	837,763	93,633
School Facilities Board	810,798	-	-	-
Other Revenues	5,749,189	3,637,753	2,834,861	3,264,264
Total State Sources	<u>40,977,029</u>	<u>33,975,601</u>	<u>25,977,892</u>	<u>22,949,094</u>
Local Sources				
Property Taxes	45,256,860	51,063,067	43,941,950	53,244,198
County Aid	-	-	2,317,845	2,769,047
Food service sales	945,230	731,194	840,958	807,834
Investment income	1,077,946	1,042,163	579,022	418,744
Other Revenues	5,795,652	5,490,910	6,428,742	5,435,828
Total Local Sources	<u>53,075,688</u>	<u>58,327,334</u>	<u>54,108,517</u>	<u>62,675,651</u>
Total Revenues	<u>104,875,831</u>	<u>103,132,669</u>	<u>96,418,848</u>	<u>98,509,197</u>
Expenditures				
Instruction	48,028,381	49,406,182	47,886,148	46,110,562
Support Services				
Students and Staff	11,931,818	12,930,804	13,003,154	11,906,023
Administration	7,150,643	6,736,660	7,615,834	6,496,595
Operation and Maintenance of Plant	10,160,198	9,043,291	9,116,495	9,897,356
Student Transportation	4,258,457	4,154,862	3,920,183	4,155,077
Operation of Noninstructional Services	4,846,331	5,098,740	4,999,173	4,335,193
Judgments Against the District	-	-	-	-
Debt Service				
Principal Retirement	9,731,751	8,139,679	5,652,640	5,875,587
Interest on Long-Term Debt	1,203,285	1,211,595	1,007,282	1,738,206
Issuance Costs	90,190	96,150	-	-
Facilities Acquisition	9,007,896	21,398,514	23,684,520	16,000,507
Total Expenditures	<u>106,408,950</u>	<u>118,216,477</u>	<u>116,885,429</u>	<u>106,515,106</u>
Other Financing Sources (Uses)				
Issuance of Long-Term Debt	-	-	-	-
Proceeds from Capital Leases	-	-	3,494,643	352,389
Premium on Sale of Bonds	219,307	381,817	348,717	-
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers In	433,551	582,437	310,261	4,279,942
Transfers Out	(433,551)	(582,437)	(310,261)	(4,279,942)
Total Other Financing Sources (Uses)	<u>219,307</u>	<u>381,817</u>	<u>3,843,360</u>	<u>352,389</u>
Net Change in Fund Balance	<u>\$ (1,313,812)</u>	<u>\$ (14,701,991)</u>	<u>\$ (16,623,221)</u>	<u>\$ (7,653,520)</u>
Debt Service as a Percentage of Noncapital Expenditures	11.32%	9.76%	7.15%	8.41%

Source: The District's Business and Finance Department.

Fiscal Year

	2012	2013	2014	2015	2016	2017
\$	8,569,030	\$ 8,588,573	\$ 8,310,278	\$ 8,674,018	\$ 8,350,520	\$ 7,592,702
	-	-	-	-	-	-
	807,680	-	-	-	-	-
	294,604	351,876	122,264	559,231	392,155	548,193
	1,841,884	2,038,722	2,161,635	2,100,443	2,273,208	2,213,438
	<u>11,513,198</u>	<u>10,979,171</u>	<u>10,594,177</u>	<u>11,333,692</u>	<u>11,015,883</u>	<u>10,354,333</u>
	15,704,729	10,281,630	12,376,388	13,031,794	15,843,445	15,804,730
	6,952	869,103	646,318	562,200	555,870	610,229
	-	-	499,882	119,595	34,810	9,311
	3,641,779	3,446,979	3,840,602	3,904,781	5,368,863	5,520,366
	<u>19,353,460</u>	<u>14,597,712</u>	<u>17,363,190</u>	<u>17,618,370</u>	<u>21,802,988</u>	<u>21,944,636</u>
	53,109,441	52,496,444	48,729,705	47,776,030	51,152,939	53,805,368
	2,563,473	1,970,751	2,603,543	2,456,453	2,746,497	2,711,520
	665,376	762,849	709,000	733,956	779,715	677,234
	438,676	400,092	371,247	227,582	327,381	370,235
	6,054,582	6,108,940	7,286,944	7,595,156	6,165,599	6,281,659
	<u>62,831,548</u>	<u>61,739,076</u>	<u>59,700,439</u>	<u>58,789,177</u>	<u>61,172,131</u>	<u>63,846,016</u>
	93,698,206	87,315,959	87,657,806	87,741,239	93,991,002	96,144,985
	40,700,733	42,859,514	40,872,019	41,220,394	42,309,907	43,804,921
	13,514,818	12,006,545	11,698,700	12,153,623	15,672,318	14,014,818
	6,633,301	6,369,582	6,471,514	6,786,829	7,818,901	7,856,196
	8,911,315	9,004,662	9,140,545	9,186,308	9,434,349	10,033,078
	3,797,204	4,007,429	4,424,376	4,555,658	4,896,867	5,752,516
	4,234,241	4,668,620	4,963,675	5,143,187	5,672,758	5,482,302
	-	-	-	896,057	-	-
	4,082,117	3,970,270	4,374,198	5,250,000	3,700,000	3,800,000
	1,339,922	1,207,270	1,443,613	1,201,498	1,052,325	927,750
	-	150,852	-	-	-	132,425
	8,581,239	8,116,272	8,913,096	6,860,207	1,917,274	4,007,073
	<u>91,794,890</u>	<u>92,361,016</u>	<u>92,301,736</u>	<u>93,253,761</u>	<u>92,474,699</u>	<u>95,811,079</u>
	-	-	-	-	-	9,175,000
	-	-	-	-	-	-
	-	452,138	-	-	-	1,516,732
	-	-	-	-	2,745,367	-
	338,735	1,063,400	1,508,501	271,535	242,016	176,000
	(338,735)	(1,063,400)	(1,508,501)	(271,535)	(242,016)	(176,000)
	-	452,138	-	-	2,745,367	10,691,732
\$	<u>1,903,316</u>	<u>(4,592,919)</u>	<u>(4,643,930)</u>	<u>(5,512,522)</u>	<u>4,261,670</u>	<u>11,025,638</u>
	6.52%	6.32%	6.98%	7.47%	5.32%	5.19%

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FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Estimated Actual Value	Net Assessed Full Cash Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
<u>Fiscal Year</u>	<u>Real/Personal Property Less Exemptions</u>	<u>Net Assessed Full Cash Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2008	\$ 9,634,976,611	\$ 1,181,358,094	\$ 4.77	12.26 %
2009	11,836,807,789	1,414,083,728	4.83	11.95
2010	12,525,882,726	1,479,017,701	3.89	11.81
2011	12,162,758,579	1,428,191,274	4.68	11.74
2012	10,777,330,230	1,251,917,329	4.95	11.62
2013	10,368,228,592	1,200,277,849	4.87	11.58
2014	9,014,498,056	1,034,297,548	5.19	11.47
2015	9,104,147,440	1,041,215,137	5.19	11.44

Source: Coconino County Treasurer and State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
NET SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION
JUNE 30, 2017
(UNAUDITED)

Description	Net Assessed Full Cash Valuation	As % of District's Total Net Assessed Full Cash Valuation
Mining, Utility, Telecommunications, Commercial and Industrial	\$ 317,027,252	27.51%
Agricultural and Vacant Land	77,051,364	6.69%
Residential (Owner Occupied)	386,191,137	33.51%
Residential (Rental)	358,592,769	31.11%
Railroad, Private Car Companies and Flight Property	10,993,145	0.95%
Noncommercial, Foreign Trade Zone, Government, Enterprise Zones	2,258,138	0.20%
Historic Property	421,449	0.04%
	<u>\$ 1,152,535,254</u>	<u>100.00%</u>

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Overlapping Rates							District Direct Rates		
	State Equalization	Total County	County Free Library	Community College District	Fire District Assistance	City of Flagstaff	CAVIAT	Primary	Secondary	Total
2008	N/A	0.44	0.22	0.49	1.50-3.00	1.59	0.05	3.4800	1.2900	4.7700
2009	N/A	0.43	0.23	0.46	1.36-2.70	1.52	0.05	3.6100	1.2200	4.8300
2010	0.33	0.42	0.24	0.43	1.37-2.70	1.49	0.05	3.1400	0.7500	3.8900
2011	0.36	0.47	0.24	0.43	1.34-3.00	1.48	0.05	3.6300	1.0500	4.6800
2012	0.43	0.43	0.24	0.47	0.06-3.25	1.53	0.05	3.7300	1.2200	4.9500
2013	0.47	0.45	0.24	0.49	1.01-3.14	1.55	0.05	3.6600	1.2100	4.8700
2014	0.51	0.55	0.26	0.59	1.50-3.25	1.68	0.05	3.9900	1.2000	5.1900
2015	0.51	0.56	0.26	0.61	1.68-3.25	1.68	0.05	3.8500	1.3400	5.1900
2016	0.51	0.56	0.26	0.61	1.68-3.25	1.68	0.05	4.2775	1.1780	5.4555
2017	0.49	0.57	0.26	0.61	0.60-3.25	1.66	0.05	4.3908	1.1773	5.5681

Source: Coconino County Treasurer.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2017 AND NINE YEARS PRIOR
(UNAUDITED)**

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Arizona Public Service Company	\$ 29,965,542	1	2.78 %	\$ 14,243,932	1	1.24 %
Transwestern Pipeline Company	18,211,875	2	1.69			
W L Gore & Associates	18,164,529	3	1.68	12,795,365	2	1.11
BNSF Railway Company	10,413,155	4	0.96			
Kinder Morgan	10,197,023	5	0.94			
Unisource Corporation	4,888,583	6	0.45	3,221,618	9	0.28
Century Link Corporation	4,226,880	7	0.39	7,678,953	3	0.67
Nestle Purina PetCare Company	3,567,236	8	0.33	4,847,800	4	0.42
Wal-Mart Stores	3,445,405	9	0.32			
Little America Hotels & Resorts Inc	3,314,514	10	0.31	3,660,311	8	0.32
Totals	<u>\$ 106,394,742</u>		<u>9.86 %</u>	<u>\$ 46,447,979</u>		<u>4.04 %</u>

Source: Coconino County Assessor's Office.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	<u>Current Collections</u>							
	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Current Taxes Collected	Delinquent Tax Collections (1)	Total Collections	Collections as a Percentage of the Levy	Outstanding Tax Collections	Outstanding Collections as a Percentage of Levy
2008	\$ 43,721,561	\$ 42,724,863	97.72 %	\$ 992,946	\$ 43,717,809	99.99 %	\$ 3,752	0.01 %
2009	51,635,774	50,080,076	96.99	1,549,121	51,629,197	99.99	6,577	0.01
2010	43,362,734	42,283,210	97.51	1,072,838	43,356,048	99.98	6,686	0.02
2011	53,764,003	51,634,516	96.04	1,736,041	53,370,557	99.27	393,446	0.73
2012	52,706,704	51,213,785	97.17	1,267,953	52,481,738	99.57	224,966	0.43
2013	52,719,512	51,430,277	97.55	923,799	52,354,076	99.31	365,436	0.69
2014	48,127,637	47,282,695	98.24	619,542	47,902,237	99.53	225,400	0.47
2015	47,960,466	47,024,036	98.05	830,826	47,854,862	99.78	105,604	0.22
2016	51,058,047	49,867,643	97.67	993,495	50,861,138	99.61	196,909	0.39
2017	53,955,914	52,919,023	98.08	-	52,919,023	98.08	1,036,891	1.92

Source: Coconino County Treasurer.

Note 1: Unsecured personal property taxes are not included in this schedule.

(1) The amount levied and collected is net of resolutions.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Governmental Activities

Fiscal Year	General Obligation Bonds	Less: Amounts Restricted for Principal	Total	Capital Leases	Total Primary Government	Debt Per Capita	Percentage of Personal Income	Population	Ratio of Net Bonded Debt to the Estimated Actual Value of Taxable Property
2008	\$ 22,447,278	\$ (28,981)	\$ 22,418,297	\$ 981,932	\$ 23,400,229	\$ 364	1.06%	64,200	0.23 %
2009	33,185,000	(1,287,874)	31,897,126	512,459	32,409,585	505	1.14%	64,200	0.27
2010	48,615,000	(1,536,384)	47,078,616	2,099,783	49,178,399	597	1.79%	82,371	0.38
2011	44,400,000	(546,505)	43,853,495	326,585	44,180,080	549	1.59%	80,421	0.36
2012	40,650,000	(591,041)	40,058,959	182,117	40,241,076	500	1.33%	80,500	0.37
2013	47,350,000	(806,734)	46,543,266	74,198	46,617,464	536	1.49%	87,017	0.45
2014	39,941,920	(286,006)	39,655,914	-	39,655,914	456	1.16%	87,017	0.44
2015	34,576,692	(214,270)	34,362,422	-	34,362,422	395	0.99%	87,017	0.38
2016	30,761,464	(348,019)	30,413,445	-	30,413,445	343	0.84%	88,653	0.31
2017	37,537,968	(733,787)	36,804,181	-	36,804,181	410	0.97%	89,805	0.38

Source: The District's Business and Finance Department for long-term debt. The source of the estimated district population is the U.S. Census Bureau, 2010 Census, as reported by the National Center for Education Statistics, School District Demographics System.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2017
(UNAUDITED)**

Governmental Unit	Outstanding Debt (2)	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Coconino Community College District	\$ 5,990,000	76.46 %	4,579,954
City of Flagstaff	55,788,353	100.00	<u>55,788,353</u>
Subtotal, Overlapping Debt			60,368,307
Flagstaff Unified School District No. 1			<u>35,575,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 95,943,307</u></u>

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.

- (1) Estimated percentage of debt outstanding applicable to the District is calculated based on the District's secondary assessed valuation as a percentage of the secondary assessed valuation of the overlapping jurisdiction.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
Class A and B Bonded Debt				
Debt Limit	\$ 354,407,428	\$ 424,225,118	\$ 443,706,210	\$ 428,457,382
Total Applicable to Limit	<u>22,447,278</u>	<u>33,185,000</u>	<u>48,615,000</u>	<u>44,400,000</u>
Legal Debt Margin	<u>\$ 331,960,150</u>	<u>\$ 391,040,118</u>	<u>\$ 395,091,210</u>	<u>\$ 384,057,382</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	6.33%	7.82%	10.96%	10.36%

	Fiscal Year			
	2008	2009	2010	2011
Class B Bonded Debt				
Debt Limit	N/A	N/A	N/A	N/A
Total Applicable to Limit	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Legal Debt Margin	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	N/A	N/A	N/A	N/A

Source: The District's Business and Finance Department for long-term debt.

Note: Information prior to 2010-11 for the Class B Debt Limit was not available.

Fiscal Year

2012	2013	2014	2015	2016	2017
\$ 375,575,199	\$ 360,083,355	\$ 310,289,294	\$ 312,364,541	\$ 327,465,982	\$ 345,760,576
40,650,000	47,350,000	39,150,000	33,900,000	29,851,981	34,841,213
<u>\$ 334,925,199</u>	<u>\$ 312,733,355</u>	<u>\$ 271,139,294</u>	<u>\$ 278,464,541</u>	<u>\$ 297,614,001</u>	<u>\$ 310,919,363</u>
10.82%	13.15%	12.62%	10.85%	9.12%	10.08%

Fiscal Year

2012	2013	2014	2015	2016	2017
N/A	N/A	N/A	\$ 208,243,027	\$ 218,310,655	\$ 230,507,051
N/A	N/A	N/A	33,900,000	29,851,981	34,841,213
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,343,027</u>	<u>\$ 188,458,674</u>	<u>\$ 195,665,838</u>
N/A	N/A	N/A	16.28%	13.67%	15.12%

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2017
(UNAUDITED)

Net Assessed Full Cash Value		\$ 1,152,535,254
Legal Debt Margin:		
<u>General Obligation Bonds</u>		
Debt Limitation - 30% of Assessed Full Cash Value		345,760,576
Amount of Debt Applicable to Debt Limit:		
General Obligation and Refunding Bonds Outstanding	\$ 35,575,000	
Less: Debt Service Fund Balance Available for Payment of Principal	<u>(733,787)</u>	
Total Amount of Debt Applicable to Debt Limit		<u>34,841,213</u>
Legal Debt Margin		<u><u>\$ 310,919,363</u></u>
<u>Class B General Obligation Bonds</u>		
Debt Limitation - the greater of 20% of the net assessed full cash valuation or \$1,500 per student (ADM)		
20% of secondary net assessed full cash valuation		\$ 230,507,051
Amount of Debt Applicable to Debt Limit:		
General Obligation and Refunding Bonds Outstanding	\$ 35,575,000	
Less: Debt Service Fund Balance Available for Payment of Principal	<u>(733,787)</u>	
Total Amount of Debt Applicable to Debt Limit		<u>34,841,213</u>
Legal Debt Margin		<u><u>\$ 195,665,838</u></u>

Source: Coconino County Assessor's Office and the District's Business and Finance Department.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	County Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate	Estimated District Population
2008	135,613	\$ 2,203,986	\$ 34,330	7.70%	64,200
2009	136,735	2,842,623	34,510	9.30	82,371
2010	134,421	2,745,251	34,136	8.40	80,421
2011	134,105	2,771,615	34,430	9.20	80,500
2012	136,011	3,029,932	34,820	8.10	87,017
2013	136,539	3,126,782	35,933	7.60	87,017
2014	136,612	3,412,807	39,220	7.20	87,017
2015	137,637	3,473,470	39,596	6.20	87,723
2016	139,097	3,636,380	41,018	5.90	88,653
2017	140,908	3,776,929	42,057	5.80	89,805

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.

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**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
PRINCIPAL EMPLOYERS
JUNE 30, 2017 AND 2008
(UNAUDITED)**

Employer	2017		2008	
	Employees	Percentage of Total Employment - 89,805	Employees	Percentage of Total Employment - 64,200
Northern Arizona University	2,815	3.13%	3,778	5.88%
Flagstaff Medical Center	2,350	2.62%	1,985	3.09%
WL Gore & Associates	2,000	2.23%	1,300	2.02%
Flagstaff Unified School District	1,385	1.54%	1,560	2.43%
Coconino County	1,200	1.34%	1,205	1.88%
City of Flagstaff	989	1.10%	901	1.40%
Wal-Mart	630	0.70%	400	0.62%
BNSF	600	0.67%	-	0.00%
Navajo Nation Gaming	514	0.57%	-	0.00%
Grand Canyon Railway	421	0.47%	-	0.00%
	<u>12,904</u>	14.37%	<u>11,129</u>	17.33%

Source: The ECoNA, Economic Collaborative of Northern Arizona.

Source: "Employer" and "Employees" information is ECoNA, Economic Collaborative of Northern Arizona "total employment" information is the Arizona Office of Employment and Population Statistics.

Note 1: Information was not available at the District level and is therefore presented for the Coconino County.

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Employee Type	Full Time Equivalent Employees			
	2008	2009	2010	2011
Supervisory				
Superintendent	1	1	1	1
Assistant superintendents	1	2	2	2
Principals	17	17	17	14
Assistant principals	9	10	7	7
Total Supervisory	<u>28</u>	<u>30</u>	<u>27</u>	<u>24</u>
Instruction				
Teachers	676	681	675	624
Other certified	50	49	50	44
Aides	174	163	171	163
Total Instruction	<u>900</u>	<u>893</u>	<u>896</u>	<u>831</u>
Student Services				
Student support services (OT/TP, ST, Counselor)	44	48	49	42
Technicians	7	5	6	5
Total Student Services	<u>51</u>	<u>53</u>	<u>55</u>	<u>47</u>
Support and Administration				
Administrators	23	23	23	21
Bus drivers	48	57	73	63
Support staff	350	348	321	275
Total Support and Administration	<u>421</u>	<u>428</u>	<u>417</u>	<u>359</u>
Total	<u><u>1,400</u></u>	<u><u>1,404</u></u>	<u><u>1,395</u></u>	<u><u>1,261</u></u>

Source: The District personnel records and the Arizona Department of Education SDER 30 report.

Full-Time Equivalent Employees

2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
2	2	2	2	2	2
13	15	15	15	14	15
7	6	6	6	6	6
<u>23</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>23</u>	<u>24</u>
591	551	567	577	568	573
46	35	29	28	28	30
151	162	165	171	177	185
<u>788</u>	<u>748</u>	<u>761</u>	<u>776</u>	<u>773</u>	<u>788</u>
42	39	36	35	38	39
5	5	5	5	5	6
<u>47</u>	<u>44</u>	<u>41</u>	<u>40</u>	<u>43</u>	<u>45</u>
24	22	22	24	25	22
47	52	63	62	62	65
274	252	257	256	260	236
<u>345</u>	<u>326</u>	<u>342</u>	<u>342</u>	<u>347</u>	<u>323</u>
<u>1,203</u>	<u>1,142</u>	<u>1,168</u>	<u>1,182</u>	<u>1,186</u>	<u>1,180</u>

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**FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Enrollment (3)</u>	<u>Maintenance and Operating Expenditures (2)</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (1)</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Free/Reduced Students</u>
2008	10,445	\$ 86,375,828	\$ 8,270	4.54 %	675	15.47	38.5%
2009	10,347	87,370,539	8,444	2.11	676	15.31	40.8
2010	10,169	86,540,987	8,510	0.78	729	13.95	43.8
2011	9,573	82,900,806	8,660	1.76	534	17.93	43.6
2012	8,965	77,791,612	8,677	0.20	610	14.70	46.6
2013	9,081	78,916,352	8,690	0.15	598	15.19	47.5
2014	9,248	77,570,829	8,388	(3.48)	602	15.36	43.8
2015	9,256	79,045,999	8,540	1.81	588	15.74	46.5
2016	9,290	85,805,100	9,236	8.15	597	15.56	43.8
2017	9,295	87,076,256	9,368	1.43	573	16.22	42.8

Source: The District's Business and Finance Department.

(1) Includes all teaching positions filled and vacant.

(2) Includes expenditures of all funds except Debt Service and Capital Outlay.

(3) Enrollment is based on 100th day figures.

FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1
CAPITAL ASSETS INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

Schools	Fiscal Year				
	2008	2009	2010	2011	2012
Elementary					
Buildings	12	12	12	10	10
Square Feet	628,454	628,454	628,454	545,898	545,898
Capacity	7,237	6,199	6,199	6,288	6,288
Enrollment	5,440	5,801	5,316	4,889	4,332
Middle					
Buildings	4	4	4	2	2
Square Feet	378,293	378,293	378,293	217,064	217,064
Capacity	2,120	1,933	1,933	2,300	2,300
Enrollment	1,492	1,056	1,454	2,055	1,731
High					
Buildings	6	6	6	4	4
Square Feet	797,728	797,728	797,728	604,902	604,902
Capacity	4,400	4,950	4,950	3,890	3,890
Enrollment	3,722	3,827	3,401	3,159	2,959
Other					
Buildings	3	3	3	6	6
Square Feet	55,900	55,900	55,900	156,321	156,321
Administrative					
Buildings	1	1	1	1	1
Square Feet	30,140	30,140	30,140	30,140	30,140
Transportation					
Garages	1	1	1	1	1
Buses	110	90	91	91	95
Athletics					
Football fields	3	3	3	3	3
Soccer fields	12	5	5	5	5
Running Tracks	3	3	3	3	3
Baseball/softball Fields	10	9	9	9	9
Swimming Pools	2	1	1	1	1
Playgrounds	15	14	14	14	14

Source: The District's facilities' records.

Fiscal Year				
2013	2014	2015	2016	2017
10	10	10	10	10
545,898	545,898	545,898	545,898	545,898
6,288	5,588	5,588	5,588	5,588
4,291	4,928	4,957	4,456	4,329
2	2	2	2	2
217,064	217,064	217,064	378,393	378,393
2,300	2,541	2,541	2,541	2,541
1,753	1,828	1,841	1,881	1,915
4	4	4	4	4
604,902	604,902	604,902	604,902	604,902
3,890	3,890	3,890	3,890	3,890
2,966	3,037	3,010	2,952	3,051
6	6	5	5	5
156,321	156,321	156,321	156,321	156,321
1	1	1	1	1
30,140	30,140	30,140	30,140	30,140
1	1	1	1	1
95	95	94	95	94
3	3	3	3	3
5	5	5	5	5
3	3	3	3	3
9	9	9	9	9
1	1	2	2	2
14	14	14	14	14

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