

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Litchfield Elementary School District No. 79
Litchfield Park, Arizona

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Litchfield Elementary School District No. 79 (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Litchfield Elementary School District No. 79 as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASBS No. 75, the District reported a restatement for the change in accounting principle (see Note 2.F). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
January 23, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

As management of Litchfield Elementary School District No. 79 (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, 2018.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$83,097,197 (net position).
- ◆ The District's total net position increased by \$513,973. The increase was due to cost saving measures to maximize funds available for future years.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$72,600,686, an increase of \$15,930,053 in comparison with the prior year. The increase was largely due to the issuance of a \$14,760,000 bond in order to pay for pupil transportation vehicles, school improvements, and construction of an elementary school.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$37,175,884, or 58.7% of total General Fund expenditures.
- ◆ The District's total bonded debt increased by \$10,735,000 (26.8%) during the current fiscal year. This increase was the result of the issuance of additional debt offset by the scheduled principal payments due on outstanding bonds.

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 required 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 inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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 are for public education.

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

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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 two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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 forty-four 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, Debt Service Fund, and Bond Building Fund, all of which are considered to be major funds. Data from the other eighteen 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 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 14 – 19 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the *resources* of those funds are not available to support the District's own programs. The fiduciary funds are custodial in nature and do not present results of operations or a measurement focus.

The statement of fiduciary fund net position can be found on page 20 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 21 – 44 of this report.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Required Supplementary Information Other than the MD&A

Governments have the option of presenting budgetary comparison schedules for the General Fund and major Special Revenue Funds as part of the basic financial statements or as required supplementary information (RSI) other than the MD&A. The District has presented the General Fund budgetary comparison schedule as RSI other than the MD&A and can be found on page 45. The District also reports a schedule of its proportionate share of the net pension/OPEB liability and contributions as RSI immediately following the general fund budgetary schedule.

Other Information

The statistical section includes selected financial demographic information, generally presented on a multi-year basis. The statistical section can be found on pages 50 – 63 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 exceeded liabilities and deferred inflows of resources by \$83,097,197 at the close of the most recent fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, furniture, equipment, and vehicles), less any related debt used to acquire those assets that are 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 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligation to citizens and creditors.

Net Position

A summary of changes in the District's Statement of Net Position is as follows:

**Table A-1
The District's Net Position**

	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 80,596,269	\$ 65,346,555
Capital Assets	134,068,230	137,374,829
Total Assets	214,664,499	202,721,384
Deferred Outflows of Resources	11,787,218	16,846,264
Current Liabilities	6,062,924	6,882,140
Long-Term Liabilities	132,433,604	120,834,649
Total Liabilities	138,496,528	127,716,789
Deferred Inflows of Resources	4,857,992	9,281,064
Net Position		
Net Investment in Capital Assets	98,170,912	98,791,506
Restricted	17,299,109	16,731,628
Unrestricted	(32,372,824)	(32,953,339)
Total Net Position	<u>\$ 83,097,197</u>	<u>\$ 82,569,795</u>

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

At the end of the current fiscal year, the District was able to report positive balances in two of the three categories of net position. The net investment in capital assets decreased 0.6% due to depreciation of the assets. The debt, net of unspent bonds, was a direct offset to net position. Current year depreciation was a decrease to the net investment in capital assets, while current year principal payments on long-term debt increased net position.

Restricted net position increased 3.4% largely due to cost savings measures taken during the year ended June 30, 2018 to reduce the impact of future budget cuts. In addition to reducing the impact of future budget cuts, these funds will be used for future acquisition of capital assets and construction and opening of a new school.

The unrestricted portion increased by 1.5%, due to reduction in pension liability. It should also be noted that this category is negative due to pension related activity.

Change in Net Position

Overall, net position increased \$513,973 or 0.6%. Key elements of this increase are as follows:

**Table A-2
Change in Net Position**

	Governmental Activities			
	2018	2017	Annual Change	Percent Change
REVENUES				
Program Revenues:				
Charges for Services	\$ 5,379,307	\$ 5,414,773	\$ (35,466)	(0.65)%
Operating Grants and Contributions	12,959,568	12,482,157	477,411	3.82 %
Capital Grants and Contributions	127,491	34,565	92,926	268.84 %
General Revenues:				
Property Taxes	22,350,187	22,696,447	(346,260)	(1.53)%
Grants and Contributions Not Restricted to Specific Programs:				
State Equalization and Additional State Aid	44,935,568	44,375,746	559,822	1.26 %
Federal Aid Not Restricted	57,569	48,978	8,591	17.54 %
Unrestricted Investment Earnings	594,297	334,522	259,775	77.66 %
Other	127,810	128,546	(736)	(0.57)%
Total Revenues	<u>86,531,797</u>	<u>85,515,734</u>	<u>1,016,063</u>	<u>1.19 %</u>
EXPENSES				
Instruction	47,207,242	47,901,434	(694,192)	(1.45)%
Support Services:				
Students and Instructional Staff	9,181,873	8,762,874	418,999	4.78 %
General and School Administration	4,514,365	4,459,081	55,284	1.24 %
Business and Other Support Services	3,087,299	2,791,423	295,876	10.60 %
Operation and Maintenance of Plant	8,478,023	8,184,819	293,204	3.58 %
Student Transportation	4,015,810	3,370,495	645,315	19.15 %
Operation of Noninstructional Services	8,073,043	7,891,136	181,907	2.31 %
Interest on Long-Term Debt	1,460,169	1,492,727	(32,558)	(2.18)%
Total Expenses	<u>86,017,824</u>	<u>84,853,989</u>	<u>1,163,835</u>	<u>1.37 %</u>
CHANGE IN NET POSITION	513,973	661,745	(147,772)	(22.33)%
Net Position - Beginning of Year	82,569,795	81,908,050	661,745	0.81 %
Net Effect of Prior Period Adjustments	13,429	-	13,429	
Net Position - Beginning of Year, Restated	<u>82,583,224</u>	<u>81,908,050</u>	<u>675,174</u>	
NET POSITION - END OF YEAR	<u>\$ 83,097,197</u>	<u>\$ 82,569,795</u>	<u>\$ 527,402</u>	0.64 %

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Program revenues, which are made up of charges for services, operating grants and contributions, and capital grants and contributions, increased from the prior year by \$534,871. The most significant increase was an increase in operating grants and contributions. The increase was partially related to large increases in IDEA grant funding in the current year as well as smaller increases in E-rate and Medicaid reimbursements.

Property taxes decreased \$346,260 or 1.5% from the prior year due to continued changes in the tax rates.

State equalization and additional state aide increased \$559,822 due to the District receiving more funding based upon changes in the state funding formula.

District expenses increased by \$1,163,835 primarily as a result of staffing to provide instruction to additional students, providing additional contracted student support services to special education students, pay raises and increases in health insurance premiums.

FINANCIAL ANALYSIS OF THE GOVERNMENT'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 \$72,600,668, an increase of \$15,930,053 in comparison with the prior year. Approximately 51.2% of this total amount (\$37,175,884) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable and restricted to indicate that is not available for new spending.

At fiscal year-end 2017-18 balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From 2016-17
General Fund	\$ 37,288,145	\$ 1,041,092
Debt Service Fund	272,421	(50,714)
Bond Building Fund	18,413,780	14,580,236
Nonmajor Governmental Funds	16,626,322	359,439
	\$ 72,600,668	\$ 15,930,053

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

The General Fund increased due to additional state funding received during the fiscal year.

The Debt Service Fund did not significantly change during the current fiscal year.

The Bond Building Fund increased in the current year due to the issuance of \$14,760,000 in bonds to pay for pupil transportation vehicles, school improvements, and construction of an elementary school.

The Nonmajor Governmental Funds increase was mainly due to retaining funds received during the fiscal year for projects which will be completed in future years.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$523,590. The major amendments within subsections were as follows:

- ◆ A \$192,175 increase in regular education – instruction budget.
- ◆ A \$78,541 decrease in regular education – general administration budget.
- ◆ A \$106,000 decrease in regular education – business and other budget
- ◆ A \$50,000 decrease in regular education – operation and maintenance of plant budget
- ◆ A \$93,783 decrease in special education – instruction budget.
- ◆ A \$508,776 increase in special education – support services students' budget.

The amendments described above were made due to increased budget carryover becoming available when prior year actual General Fund expenditures were less than projected. Actual General Fund expenditures were \$4,190,009 less than budget during the fiscal year. Actual expenditures were within 6.4% of budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$134,068,230 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, furniture, equipment and vehicles and construction in progress.

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

- ◆ Completion of the construction of the support facility. The total project cost was \$6.5 million including \$1.4 million in current year construction costs.
- ◆ Purchase of 2 special needs buses.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Capital assets for fiscal years June 30, 2018 and 2017, net of accumulated depreciation was as follows:

**Table A-4
Capital Assets (Net)**

	Governmental Activities	
	2018	2017
Land	\$ 20,161,037	\$ 20,161,037
Construction in Progress	1,043,793	6,305,022
Land Improvements	2,030,679	1,696,532
Buildings and Building Improvements	106,474,755	104,439,344
Furniture, Equipment, and Vehicles	4,357,966	4,772,894
Total Capital Assets, Net	<u>\$ 134,068,230</u>	<u>\$ 137,374,829</u>

Additional information on the District's capital assets can be found in Note 2.A.4. of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$50,845,000. All this debt is backed by the full faith and credit of the District.

**Table A-5
Outstanding Debt**

	Governmental Activities	
	2018	2017
General Obligation Bonds	<u>\$ 50,845,000</u>	<u>\$ 40,110,000</u>

The District's total bonded debt increased by \$10,735,000 (26.8%) during the current fiscal year. This increase was the result of the issuance of additional debt offset by the scheduled principal payments due on outstanding bonds

The State Constitution/Statutes limits the amount of bonded debt a nonunified school district may issue to 15% of its net secondary assessed valuation and the greater of 10% of the net secondary assessed valuation or \$1,500 per ADM for Class B Bonded debt. The current debt limitation for the District is \$141,145,271 for all debt and \$94,096,848, for Class B bonded debt. The District's total debt was below 15% of its net secondary assessed valuation and below the greater of 10% of the net secondary assessed valuation or \$1,500 per average daily membership (ADM) for Class B bonded debt.

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

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ Increased health insurance costs to comply with Health Care Reform.
- ◆ Increased budget available due to state appropriation for teacher salary increases.
- ◆ Increased operational costs due to voter approved increase in the State minimum wage.

All of these factors were considered in preparing the District's budget for the 2019 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Finance, Litchfield Elementary School District No. 79, 272 E. Sagebrush St., Litchfield Park, Arizona 85340, or call 623-535-6000.

BASIC FINANCIAL STATEMENTS

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and Investments	\$ 45,626,061
Restricted Cash and Investments	18,457,627
Deposits	90,000
Receivables:	
Property Taxes	1,825,448
Intergovernmental	14,082,466
Inventories	247,949
Net Other Postemployment Benefits Asset	266,718
Capital Assets:	
Nondepreciable	21,204,830
Depreciable, Net	112,863,400
Total Assets	214,664,499
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and other post employment benefits	11,787,218
LIABILITIES	
Accounts Payable	543,469
Accrued Wages and Benefits	663,331
Accrued Interest	831,124
Matured Debt Principal Payable	4,025,000
Long-Term Liabilities:	
Due Within One Year	5,130,260
Due in More Than One Year	51,469,098
Net Pension and OPEB Liability	75,834,246
Total Liabilities	138,496,528
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and other post employment benefits	4,857,992
NET POSITION	
Net Investment in Capital Assets	98,170,912
Restricted for:	
Instructional Improvements	897,943
Classroom Site	3,419,578
Federal and State Grants	786,154
Food Services	3,400,364
Debt Service	314,358
Civic Center	3,270,500
Community School	2,793,044
Other Noninstructional Services	448,377
Other Post Employment Benefits	266,718
Other	230,580
Capital Projects	1,471,493
Unrestricted	(32,372,824)
Total Net Position	\$ 83,097,197

See accompanying Notes to Basic Financial Statements.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 47,207,242	\$ 345,616	\$ 8,095,327	\$ -	\$ (38,766,299)
Support Services:					
Students	5,957,863	-	438,907	-	(5,518,956)
Instructional Staff	3,224,010	4,780	907,644	-	(2,311,586)
General Administration	1,567,308	34,944	30,689	-	(1,501,675)
School Administration	2,947,057	5,089	61,047	-	(2,880,921)
Business and Other Support Services	3,087,299	62,001	83,573	-	(2,941,725)
Operation and Maintenance of Plant	8,478,023	94,976	157,977	127,491	(8,097,579)
Student Transportation	4,015,810	20,523	68,542	-	(3,926,745)
Operation of Noninstructional Services	8,073,043	4,811,378	3,115,862	-	(145,803)
Interest on Long-Term Debt	1,460,169	-	-	-	(1,460,169)
Total	<u>\$ 86,017,824</u>	<u>\$ 5,379,307</u>	<u>\$ 12,959,568</u>	<u>\$ 127,491</u>	<u>(67,551,458)</u>
General Revenues:					
Property Taxes					22,350,187
Grants and Contributions Not Restricted to Specific Programs					
State Equalization, and Additional State Aid					44,935,568
Federal Aid Not Restricted					57,569
Investment Earnings					594,297
Other					127,810
Total					<u>68,065,431</u>
Change in Net Position					513,973
Total Net Position - As Previously Reported					82,569,795
Change in Accounting Principle					13,429
Net Position - Beginning of Year (As Restated)					<u>82,583,224</u>
Net Position - End of Year					<u>\$ 83,097,197</u>

See accompanying Notes to Basic Financial Statements.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Debt Service	Bond Building
Assets			
Cash and Investments	\$ 24,533,462	\$ 5,003,740	\$ -
Deposit	-	-	-
Restricted Cash and Investments	-	-	18,457,627
Receivables			
Property Taxes	1,680,144	53,593	-
Intergovernmental	12,978,793	-	-
Inventories	112,261	-	-
Due from Other Funds	748,592	-	-
	<u>\$ 40,053,252</u>	<u>\$ 5,057,333</u>	<u>\$ 18,457,627</u>
Total Assets			
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts Payable	\$ 456,535	\$ -	\$ 43,847
Accrued Wages and Benefits	663,112	-	-
Accrued Interest	-	717,975	-
Due to Other Funds	-	-	-
Matured Debt Principal Payable	-	4,025,000	-
Total Liabilities	<u>1,119,647</u>	<u>4,742,975</u>	<u>43,847</u>
Deferred Inflows of Resources			
Unavailable Revenue	1,645,460	41,937	-
Fund Balances			
Nonspendable	112,261	-	-
Restricted	-	272,421	18,413,780
Unassigned	37,175,884	-	-
Total Fund Balances	<u>37,288,145</u>	<u>272,421</u>	<u>18,413,780</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 40,053,252</u>	<u>\$ 5,057,333</u>	<u>\$ 18,457,627</u>

See accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Totals
\$ 16,088,859	\$ 45,626,061
90,000	90,000
-	18,457,627
91,711	1,825,448
1,103,673	14,082,466
135,688	247,949
-	748,592
<u>\$ 17,509,931</u>	<u>\$ 81,078,143</u>

\$ 43,087	\$ 543,469
219	663,331
-	717,975
748,592	748,592
-	4,025,000
<u>791,898</u>	<u>6,698,367</u>

91,711	1,779,108
225,688	337,949
16,400,634	35,086,835
-	37,175,884
<u>16,626,322</u>	<u>72,600,668</u>

<u>\$ 17,509,931</u>	<u>\$ 81,078,143</u>
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**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balances for Governmental Funds		\$ 72,600,668
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Total net position reported for governmental activities in the statement of net position is different because:

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

Governmental Capital Assets	\$ 197,675,996	
Less: Accumulated Depreciation	<u>(63,607,766)</u>	134,068,230

Some of the District's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.

Property Taxes		1,779,108
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Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions/OPEB		11,787,218
Deferred inflows of resources related to pensions/OPEB		<u>(4,857,992)</u>

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	(50,845,000)	
Unamortized Premiums	(2,334,791)	
Accrued Interest Payable	(113,149)	
Capital Lease Payable	(1,131,307)	
Net Pension and OPEB Liability	(75,834,246)	
Net OPEB Asset	266,718	
Compensated Absence Payable	<u>(2,288,260)</u>	<u>(132,280,035)</u>

Total Net Position of Governmental Activities		<u>\$ 83,097,197</u>
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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Debt Service	Bond Building
Revenues			
Property Taxes	\$ 17,035,134	\$ 5,325,262	\$ -
Intergovernmental	45,884,008	-	-
Food Service Sales	-	-	-
Auxiliary Operations	183,696	-	-
Contributions and Donations	199,087	-	-
Investment Earnings	323,306	86,345	-
Other	127,613	-	-
Total Revenues	<u>63,752,844</u>	<u>5,411,607</u>	<u>-</u>
Expenditures			
Current			
Instruction	35,975,825	-	-
Support Services			
Students	5,676,882	-	-
Instructional Staff	2,353,162	-	-
General Administration	1,493,923	-	-
School Administration	2,944,469	-	-
Business and Other Support Services	2,756,276	1,371	1,494
Operations and Maintenance of Plant	8,350,148	-	-
Student Transportation	3,309,201	-	229,476
Operation of Noninstructional Services	134,296	-	-
Debt Service			
Principal Retirement	-	4,025,000	-
Interest on Long-Term Debt	-	1,435,950	-
Issuance Costs	-	-	177,981
Facilities Acquisition	292,591	-	1,149,501
Total Expenditures	<u>63,286,773</u>	<u>5,462,321</u>	<u>1,558,452</u>
Excess (Deficiency) of Revenues Over Expenditures	466,071	(50,714)	(1,558,452)
Other Financing Sources (Uses)			
Transfers In	730,457	-	-
Transfers Out	(140,000)	-	-
Issuance of Long-Term Debt	-	-	14,760,000
Premium on Issuance of Long-Term Debt	-	-	1,378,688
Total Other Financing Sources (Uses)	<u>590,457</u>	<u>-</u>	<u>16,138,688</u>
Net Change in Fund Balances	1,056,528	(50,714)	14,580,236
Fund Balances			
Beginning of Year	36,247,053	323,135	3,833,544
Increase (Decrease) in Nonspendable □			
Fund Balance for Inventories	(15,436)	-	-
End of Year	<u>\$ 37,288,145</u>	<u>\$ 272,421</u>	<u>\$ 18,413,780</u>

See accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Totals
\$ 4,483	\$ 22,364,879
11,786,846	57,670,854
1,700,052	1,700,052
-	183,696
210,255	409,342
184,647	594,298
3,495,756	3,623,369
<u>17,382,039</u>	<u>86,546,490</u>
6,606,041	42,581,866
282,312	5,959,194
855,001	3,208,163
36,940	1,530,863
11,188	2,955,657
88,430	2,847,571
185,192	8,535,340
26,929	3,565,606
7,842,732	7,977,028
96,749	4,121,749
33,778	1,469,728
-	177,981
378,352	1,820,444
<u>16,443,644</u>	<u>86,751,190</u>
938,395	(204,700)
140,000	870,457
(730,457)	(870,457)
-	14,760,000
-	1,378,688
<u>(590,457)</u>	<u>16,138,688</u>
347,938	15,933,988
16,266,883	56,670,615
11,501	(3,935)
<u>\$ 16,626,322</u>	<u>\$ 72,600,668</u>

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
RECONCILIATION STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances-Total Governmental Funds \$ 15,933,988

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 as depreciation expense.

Expenditure for Capital Assets	2,260,930
Loss on Disposal of Assets	(164,904)
Less: Depreciation Expense	<u>(5,402,625)</u>
Excess Depreciation over Capital Expenditures	(3,306,599)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Unavailable Revenue - Current Year	1,779,108
Unavailable Revenue - Prior Year	(1,793,800)

The issuance of long-term debt (e.g. bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal reduces long-term debt on the statement of net position.

Principal Payments on General Obligation Bonds	4,025,000
Principal Payments on Capital Leases	96,749
Issuance of Long-Term Debt	(14,760,000)
Premium on the Issuance of Long-Term Debt	(1,378,688)
Accrued Interest Payable	(113,149)
Amortization of Premium	122,708

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

Pension/OPEB Contributions	5,417,617
Pension/OPEB Expense	(5,373,144)

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	(131,882)
Change in Inventory Balances	<u>(3,935)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 513,973</u></u>
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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
STATEMENT OF FIDUCIARY FUND NET POSITION
JUNE 30, 2018

	<u>Agency Fund</u>
Assets	
Current Assets	
Cash and Investments	<u>\$ 53,151</u>
Liabilities	
Current Liabilities	
Due to Student Groups	<u>\$ 53,151</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Litchfield Elementary School District No. 79 (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 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. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the funds of those organizational entities for which its elected governing board is financially accountable.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and claims and judgments, 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.

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

The District reports the following major governmental funds:

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 four subsections titled regular education programs, special education programs, pupil transportation, and K-3 Reading.

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

The *Bond Building Fund* is a capital projects fund that accounts for monies received from the District bond issues that are used to acquire sites, construct school buildings, supply school buildings with furniture and apparatus, improve school grounds, and purchase pupil transportation vehicles.

Additionally, the District reports the following fund type:

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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

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

1. Deposits and Investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes, except for cash in the Bond Building and Debt Service Funds, which are invested separately. As required by statute, interest earned by the Bond Building and Debt Service Funds is recorded in the Debt Service Fund.

A.R.S. authorize the District to invest public monies 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.

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool.

A.R.S. 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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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. Restricted Cash and Investments

Unspent bond proceeds are restricted for voter-approved capital projects and improvements. The restricted cash and investments are reported separately to present the District's cash and investments that are restricted for these purposes.

3. Deposits

The District has \$90,000 in deposits with Mohave Educational Services Cooperative, Inc. (Mohave) through an agreement in which Mohave provides purchasing services for the food service program.

4. Property Taxes Receivable

Maricopa 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. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

5. Intergovernmental Receivable

Intergovernmental receivables account for federal and state grants earned, but not yet received at year-end and include federal grants in aid (\$481,870), state grants in aid (\$603,668), state building renewal grants in aid (\$18,135), and state equalization and additional state aid (\$12,978,793).

6. Inventories

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when purchased in the fund financial statements and as expenses when consumed rather than when purchased in the government-wide financial statements.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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. Interfund Receivables and Payables

During the course of operations, individual funds within the District's pooled cash accounts may borrow money from 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.

8. Capital Assets

Capital assets, which include land, buildings and improvements, 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.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. 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	30 to 40 years
Improvements other than buildings	10 to 30 years
Furniture, equipment, and vehicles	5 to 15 years

9. Deferred Outflows of Resources

The District recognizes the consumption of net position that is applicable to future reporting periods as deferred outflows of resources. The deferred outflows of resources reported in the government-wide financial statements consist of the differences between expected and actual experience, differences between projected and actual investment earnings, changes in the District's proportionate share, and the District's contributions to the District's pension and other postemployment benefits (OPEB) plans made subsequent to the measurement date of the pension and OPEB liability.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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)

10. Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

11. 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 life 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 and the premium are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures/expenses in the fund and government-wide financial statements, respectively.

12. Pension and Other Postemployment Benefit Plans

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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)

13. 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, 2018 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 differences between expected and actual experience of pension and OPEB costs and changes in actuarial assumptions related to the estimation of the District's pension and OPEB liabilities.

14. 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.

The government-wide financial statements report \$17,299,109 of restricted net position, none of which is restricted by enabling legislation.

15. 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, restricted, committed, assigned, and unassigned fund balances.

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

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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)

15. Fund Balances (Continued)

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

Committed fund balances are self-imposed limitations approved by the District's 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. Commitments must be made or removed prior to 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 Executive Director of Finance to make assignments of resources for a specific purpose.

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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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)

15. Fund Balances (Continued)

When an expenditure is incurred that can be paid from either restricted, committed, assigned or unassigned fund balances, it is the District's policy to use restricted fund balance first, then committed, and unassigned amounts.

The District has classified its fund balances as follows:

	General Fund	Debt Service Fund	Bond Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventories	\$ 112,261	\$ -	\$ -	\$ 135,688	\$ 247,949
Deposits	-	-	-	90,000	90,000
	<u>112,261</u>	<u>-</u>	<u>-</u>	<u>225,688</u>	<u>337,949</u>
Restricted:					
Classroom Site	-	-	-	3,419,578	3,419,578
Instructional Improvement	-	-	-	897,943	897,943
Federal and State Grants	-	-	-	786,154	786,154
Food Service	-	-	-	3,174,676	3,174,676
Other Special Revenues					
Civic Center	-	-	-	3,270,500	3,270,500
Community School	-	-	-	2,793,044	2,793,044
Noninstructional Programs	-	-	-	448,377	448,377
Other	-	-	-	230,580	230,580
Capital Projects	-	-	18,413,780	1,379,782	19,793,562
Debt Service	-	272,421	-	-	272,421
	<u>-</u>	<u>272,421</u>	<u>18,413,780</u>	<u>16,400,634</u>	<u>35,086,835</u>
Unassigned	<u>37,175,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,175,884</u>
Total Fund Balance	<u>\$ 37,288,145</u>	<u>\$ 272,421</u>	<u>\$ 18,413,780</u>	<u>\$ 16,626,322</u>	<u>\$ 72,600,668</u>

E. New Accounting Pronouncement

For the year ended June 30, 2018, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2018 consist of the following:

Deposits:	
Cash in Bank	\$ 733,334
Investments:	
Cash on Deposit with County Treasurer	63,403,505
Total Deposits and Investments	<u>64,136,839</u>
Less: Restricted Cash and Investments	(18,457,627)
Less: Fiduciary Fund	(53,151)
Total Cash and Investments	<u><u>\$ 45,626,061</u></u>

Deposits

The District's deposits at June 30, 2018 had a carrying value of \$733,334 and a bank balance of \$734,215. The bank balance was covered by federal depository insurance or collateral held by the financial institution in the District's name.

Investments

At June 30, 2018 the District's investments were reported at fair value. The District's investments included only cash on deposit with the County Treasurer.

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 investment portfolio to one year or less.

Credit Risk - The District does not have a formal investment policy in regards to credit risk. However, the District is prohibited by State law from investing in investments other than 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.

Custodial Credit Risk - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will be unable to recover the value of its investments or collateralized securities that are in the possession of a third party. The District does not have a formal investment policy in regards to custodial credit risk. However, the District's investments are not subject to custodial credit risk.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Cash and Investments

Restricted cash and investments at June 30, 2018 consisted of \$18,457,627 of unspent bond proceeds reported in the Bond Building Fund. The unspent bond proceeds are on deposit with the County Treasurer and are restricted to school improvements, construction, pupil transportation vehicles, equipment, and apparatus for the new schools and related bond issuance costs.

3. 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 levied and collected or if they are collected 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 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 reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent Property Taxes Receivable	
General Fund	\$ 1,645,460
Debt Service Fund	41,937
Nonmajor Governmental Funds	91,711
	\$ 1,779,108

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 20,161,037	\$ -	\$ -	\$ 20,161,037
Construction in Progress	6,305,022	1,224,877	(6,486,106)	1,043,793
Total Capital Assets, Not Being Depreciated	26,466,059	1,224,877	(6,486,106)	21,204,830
Capital Assets, Being Depreciated:				
Land Improvements	4,656,850	533,332	-	5,190,182
Buildings and Building Improvements	154,076,030	6,418,095	-	160,494,125
Furniture, Equipment, and Vehicles	12,214,691	570,732	(1,998,564)	10,786,859
Total Capital Assets, Being Depreciated	170,947,571	7,522,159	(1,998,564)	176,471,166
Accumulated Depreciation for:				
Land Improvements	(2,960,318)	(199,185)	-	(3,159,503)
Buildings and Building Improvements	(49,636,686)	(4,382,684)	-	(54,019,370)
Furniture, Equipment, and Vehicles	(7,441,797)	(820,756)	1,833,660	(6,428,893)
Total Accumulated Depreciation	(60,038,801)	(5,402,625)	1,833,660	(63,607,766)
Total Capital Assets, Being Depreciated, Net	110,908,770	2,119,534	(164,904)	112,863,400
Governmental Activities Capital Assets, Net	<u>\$ 137,374,829</u>	<u>\$ 3,344,411</u>	<u>\$ (6,651,010)</u>	<u>\$ 134,068,230</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Instruction	\$ 4,352,943
Support Services:	
Students	26,244
Instructional Staff	4,145
General Administration	1,988
Business and Other Support Services	152,318
Operations and Maintenance of Plant	60,109
Student Transportation	575,666
Operation of Noninstructional Services	229,212
Total	<u>\$ 5,402,625</u>

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction Commitments

At June 30, 2018, the District had active construction commitments for projects currently in progress. Those construction commitments are as follows:

Project	Governmental Activities	
	Spent-to Date	Remaining Commitment
L Thomas Heck Middle School - Weatherization	\$ 130,614	\$ 215,267
Belen Soto Elementary School - Construction	843,129	258,997
Western Sky Middle School - Chiller Replacement	-	247,800
Palm Valley Elementary - Roof Replacement	-	807,700
Total	<u>\$ 973,743</u>	<u>\$ 1,529,764</u>

B. Interfund Receivables/Payables and Transfers

As of June 30, 2018 interfund receivable and payables were as follows:

Due To	Due From
	Nonmajor Governmental Funds
General Fund	<u>\$ 748,592</u>

The above interfund receivable and payable were recorded to reflect cash transfers between the General Fund and Nonmajor Governmental Funds to transfer indirect cost funds for the fiscal year ended June 30, 2018 and were the result of timing of the transfers. The cash balances were transferred in fiscal year 2018-19.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables/Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers In	Transfers Out		
	General Funds	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 730,457	\$ 730,457
Nonmajor Governmental Funds	140,000	-	140,000
Total	\$ 140,000	\$ 730,457	\$ 870,457

The transfer from the General Fund to the Nonmajor Governmental Funds was recorded to make the required debt service payments due on the energy climate control systems lease.

The transfer from the Nonmajor Governmental Funds to the General Fund was made to record the indirect costs of federal grants. The Arizona Department of Education approved a maximum indirect cost rate of 4.37% restricted and 25.00% non-restricted. The District did not exceed the maximum indirect cost rates during the fiscal year.

C. Line of Credit

The District has an available line of credit in the amount of \$10,000,000 with a local financial institution. The District did not draw upon the line of credit during the fiscal year and had a balance due of \$-0- at June 30, 2018.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Obligations Under Leases

The District entered into a lease agreement as a lessee for financing the acquisition of energy efficient climate control systems. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the net present value of future minimum lease payments as of the inception date. The utility cost savings generated from the implementation of the energy control systems will be used to fund the capital lease obligation. As of June 30, 2018, \$1,506,012 in assets has been purchased by the District and has been capitalized as buildings and improvements. Accumulated depreciation on the assets at June 30, 2018 is \$430,289.

The future minimum lease obligations and the net present value of lease payments through June 30, 2018 were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 130,527
2020	130,527
2021	130,527
2022	130,527
2023	130,527
2024-2028	<u>652,635</u>
Total Minimum Lease Payments	1,305,270
Less: Amount Representing Interest	<u>(173,963)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 1,131,307</u></u>

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

The District has long-term bonds payable issued to provide funds for the acquisition and construction of major capital facilities. The outstanding bonds are being repaid from a secondary tax collected and recorded in the Debt Service Fund and the capital lease will be repaid from the Nonmajor Energy and Water Savings Fund. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Maturity Dates	Amount Outstanding
School Improvement Bonds, Project 2006 Original Amount \$10,500,000	2.00-5.00%	7/1/18-22	\$ 7,275,000
School Improvement Bonds, Project 2009 Original Amount \$10,325,000	2.00-5.00	7/1/18-23	9,945,000
School Improvement Bonds, Series 2015 Original Amount \$15,675,000	2.00-4.00	7/1/18-30	14,400,000
School Improvement Bonds, Series 2016 Original Amount \$6,000,000	1.00-3.50	7/1/18-30	4,465,000
School Improvement Bonds, Series 2018 Original Amount \$14,760,000	2.00-4.00	7/1/19-30	<u>14,760,000</u>
Total General Obligation Bonds Payable			<u>\$ 50,845,000</u>

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 40,110,000	\$ 14,760,000	\$ (4,025,000)	\$ 50,845,000	\$ 4,510,000
Premium on Bonds	1,078,811	1,378,688	(122,708)	2,334,791	-
Total Bonds Payable	<u>41,188,811</u>	<u>16,138,688</u>	<u>(4,147,708)</u>	<u>53,179,791</u>	<u>4,510,000</u>
Other Liabilities:					
Capital Lease Obligation	1,228,056	-	(96,749)	1,131,307	99,482
Compensated Absences	2,156,378	608,509	(476,627)	2,288,260	520,778
Total Other Liabilities	<u>3,384,434</u>	<u>608,509</u>	<u>(573,376)</u>	<u>3,419,567</u>	<u>620,260</u>
Total Debt	<u>\$ 44,573,245</u>	<u>\$ 16,747,197</u>	<u>\$ (4,721,084)</u>	<u>\$ 56,599,358</u>	<u>\$ 5,130,260</u>

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 4,510,000	\$ 1,985,386
2020	5,115,000	1,730,175
2021	4,835,000	1,552,625
2022	5,300,000	1,362,925
2023	5,705,000	1,142,925
2024-2028	19,110,000	3,050,450
2029-2030	6,270,000	326,625
Totals	<u>\$ 50,845,000</u>	<u>\$ 11,151,111</u>

F. Change in Accounting Principle

During the year ended June 30, 2018 Litchfield Elementary School District No. 79 adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85 *Omnibus 2017*. These pronouncements require the restatement of the June 30, 2017 net position of the governmental activities, as follows:

	<u>Net Position as Previously Stated</u>	<u>Cumulative Affect of Application of GASB 75 Net OPEB Liability</u>	<u>Net Position as Restated</u>
Governmental Activities	<u>\$ 82,569,795</u>	<u>\$ 13,429</u>	<u>\$ 82,583,224</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 carries commercial insurance for all such risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities

Ground Lease - In January 2003, September 2003, August 2004 and December 2004 the District executed ground leases. The District granted a leasehold interest in a parcel of property to a bank (Trustee). The Trustee, in turn, leased the property to the Arizona School Facilities Board (SFB) by which the SFB is obligated to make lease payments to the Trustee, subject to receiving legislative appropriations, until the obligation to the Trustee is satisfied. Once the obligation to the Trustee is satisfied, all rights, title, and interest in the property (land and buildings) become the District's. However, if legislative appropriations are not received, the SFB is relieved of any subsequent obligation under the lease and the obligation is considered in default. In the event of default, the leases shall automatically terminate and the District agrees that it shall promptly surrender possession of the property to the Trustee.

C. Retirement Plans

Cost-Sharing Pension and OPEB Plans

At June 30, 2018, the District reported the following related to pensions and OPEB to which it contributes:

Statement of Net Position and Statement of Activities	ASRS Pension	ASRS OPEB	Governmental Activities
Net Pension and OPEB Asset	\$ -	\$ 266,718	\$ 266,718
Net Pension and OPEB Liability	75,657,919	176,327	75,834,246
Deferred Outflows of Resources	11,504,560	282,658	11,787,218
Deferred Inflows of Resources	4,530,951	327,041	4,857,992
Pension and OPEB Expense	5,123,065	250,079	5,373,144

The District's accrued payroll and employee benefits included \$-0- of outstanding pension and OPEB contributions amounts payable to ASRS for the year ended June 30, 2018.

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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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:

	<u>Before July 1, 2011</u>	<u>On or After July 1, 2011</u>
Years of Service and Age Required to Receive Benefit	Sum of Years and Age Equals 80 10 Years, Age 62 5 Years, Age 50* Any Years, Age 65	30 Years, Age 55 25 Years, Age 60 10 Years, Age 62 5 Years, Age 50* Any Years, Age 65
Final Average Salary is Based on	Highest 36 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.

Health insurance premium benefits are available to retired or disabled members with five years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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, 2018, statute required active ASRS members were required to contribute at the actuarially determined rate of 11.50% (11.34% for retirement and 0.16% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.50% (10.90% for retirement, 0.44% for the health insurance premium benefit, and 0.16% 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 9.49% (9.26% for retirement, 0.1% for health insurance premium benefit, and 0.13% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill.

The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$5,134,959, \$207,283, and \$75,375, respectively.

During the fiscal year ended June 30, 2018, the District paid for ASRS pension and OPEB contributions as follows: 80% from the General Fund and 20% from other funds.

Liability – At June 30, 2018, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset) Liability
Pension	\$ 75,657,919
Health Insurance Premium Benefit	(266,718)
Long-term Disability	176,327

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017 reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended 2017, and the change from its proportions measured as of June 30, 2016 were:

	Proportion June 30, 2017	Increase (Decrease) from June 30, 2017
Pension	0.485670%	'0.0132%
Health Insurance Premium Benefit	0.489930	0.0000
Long-term Disability	0.486450	0.0000

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The change in the District's net asset and net liabilities as a result of these changes is not known.

Expense – For the year ended June 30, 2018, the District recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ 5,123,065
Health Insurance Premium Benefit	156,004
Long-term Disability	94,075

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Deferred Outflows/Inflows of Resources – At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 2,268,643
Changes of Assumptions or Other Inputs	3,285,997	2,262,308
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	543,172	-
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	2,540,432	-
Contributions Subsequent to the Measurement Date	5,134,959	-
Total	<u>\$ 11,504,560</u>	<u>\$ 4,530,951</u>
	Health Benefit Supplement	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	300,314
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	-	325
Contributions Subsequent to the Measurement Date	207,283	-
Total	<u>\$ 207,283</u>	<u>\$ 300,639</u>
	Long-term Disability	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	26,376
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	-	26
Contributions Subsequent to the Measurement Date	75,375	-
Total	<u>\$ 75,375</u>	<u>\$ 26,402</u>

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

<u>Year Ending June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2019	\$ (1,440,785)	\$ (75,145)	\$ (6,598)
2020	3,959,110	(75,145)	(6,598)
2021	1,060,684	(75,145)	(6,598)
2022	(1,740,359)	(75,145)	(6,598)
2023	-	(59)	(4)
Thereafter	-	-	(6)

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

Actuarial Valuation Date	June 30, 2016
Actuarial Roll Forward Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Discount Rate	8%
Projected Salary Increases	3 - 6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent Benefit Increase	Included for pensions/not applicable for OPEB
Mortality Rates	1994 GAM Scale BB
Healthcare Cost Trend Rate	Not applicable

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS plan investments was determined to be 8.7% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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	Long-term Expected Arithmetic Basis
Equity	58 %	6.73 %
Fixed Income	25	3.70
Real Estate	10	4.25
Multi-asset class	5	3.41
Commodities	2	3.84
Total	<u>100 %</u>	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 8%, which is less than the long-term expected rate of return of 8.7%. 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 plans’ 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the District’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8%, as well as what the District’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (7%) or one 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	\$ 97,108,254	\$ 75,657,919	\$ 57,734,327
Net Health Benefit Supplement Liability (Asset)	442,941	(266,718)	(869,807)
Net Long-term Disability Liability	210,843	176,327	147,062

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

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A**

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ -	\$ -	\$ 16,959,991	\$ 16,959,991
Intergovernmental	-	-	44,450,264	44,450,264
Investment Earnings	-	-	73,847	73,847
Other	-	-	27,531	27,531
Total Revenues	-	-	61,511,633	61,511,633
Expenditures				
Regular Education				
Instruction	30,956,885	31,149,060	28,491,240	2,657,820
Support Services - Students	2,681,341	2,687,341	2,660,833	26,508
Support Services - Instructional Staff	1,580,196	1,650,696	1,632,312	18,384
Support Services - General Administration	1,413,844	1,335,303	1,280,041	55,262
Support Services - School Administration	2,948,597	2,932,642	2,907,775	24,867
Support Services - Business and Other	2,605,238	2,499,238	2,368,025	131,213
Operations and Maintenance of Plant	8,762,153	8,712,153	8,157,150	555,003
School-Sponsored Cocurricular Activities	72,312	72,312	51,820	20,492
School-Sponsored Athletics	123,100	123,100	113,915	9,185
Total Regular Education	51,143,666	51,161,845	47,663,111	3,498,734
Special Education				
Instruction	6,200,586	6,106,803	5,766,742	340,061
Support Services - Students	2,658,220	3,166,996	3,026,053	140,943
Support Services - Instructional Staff	484,227	505,427	462,397	43,030
Support Services - General Administration	121,059	113,059	99,013	14,046
Support Services - School Administration	54,240	54,240	49,820	4,420
Support Services - Business and Other	35,266	35,266	10,405	24,861
Operations and Maintenance of Plant	13,400	13,400	8,329	5,071
Total Special Education	9,566,998	9,995,191	9,422,759	572,432
Pupil Transportation				
Student Transportation Services	3,247,636	3,342,636	3,223,793	118,843
K-3 Reading	607,777	589,995	589,995	-
Total Expenditures	64,566,077	65,089,667	60,899,658	4,190,009
Excess (Deficiency) of Revenues Over Expenditures				
	(64,566,077)	(65,089,667)	611,975	65,701,642
Other Financing Sources (Uses)				
Transfers Out	(140,000)	(140,000)	(140,000)	-
Net Change in Fund Balance	(64,706,077)	(65,229,667)	471,975	65,701,642
Fund Balance				
Beginning of Year	-	-	5,070,102	5,070,102
Fund Balance for Inventories	-	-	(15,436)	(15,436)
End of Year	\$ (64,706,077)	\$ (65,229,667)	\$ 5,526,641	\$ 70,756,308

See accompanying Notes to Required Supplementary Information Other Than MD&A.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION AND OPEB ASSET/LIABILITY
COST SHARING PENSION AND OPEB PLANS
LAST TEN YEARS**

ASRS - Pension	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
District's Proportion of the Net Pension Liability	0.485670%	0.472470%	0.458590%	0.437988%	0.427241%
District's Proportionate Share of the Net Pension Liability	\$ 75,657,919	\$ 76,261,404	\$ 71,431,652	\$ 64,807,380	\$ 71,026,060
District's Covered Payroll	\$ 47,830,468	\$ 44,687,444	\$ 42,321,907	\$ 39,528,352	N/A
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	158.18%	170.66%	168.78%	163.95%	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.92%	67.06%	68.35%	69.49%	N/A

ASRS - Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 (2016)
District's Proportion of the Net OPEB Liability (Asset)	0.489930%	0.004899%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (266,718)	\$ 141,666
District's Covered Payroll	\$ 47,830,468	\$ 44,687,444
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.56%	0.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	103.57%	N/A

ASRS - Long-term Disability	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 (2016)
District's Proportion of the Net OPEB Liability (Asset)	0.486450%	0.486449%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 176,327	\$ 174,812
District's Covered Payroll	\$ 47,830,468	\$ 44,687,444
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.37%	0.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	84.44%	N/A

See accompanying Notes to Required Supplementary Information Other Than MD&A.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
COST SHARING PENSION AND OPEB PLANS
LAST TEN YEARS**

ASRS - Pension	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 5,134,959	\$ 5,106,671	\$ 4,799,916	\$ 4,599,924	\$ 4,224,528
Contributions in Relation to the Statutorily Required Contribution	<u>5,134,959</u>	<u>5,106,671</u>	<u>4,799,916</u>	<u>4,599,924</u>	<u>4,224,528</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 47,487,001	\$ 47,830,468	\$ 44,687,444	\$ 42,321,907	\$ 39,528,352
Contributions as a Percentage of Covered Payroll	10.81%	10.68%	10.74%	10.87%	10.69%
ASRS - Health Insurance Premium Benefit	<u>2018</u>	<u>2017</u>			
Statutorily Required Contribution	\$ 207,283	\$ 263,749			
Contributions in Relation to the Statutorily Required Contribution	<u>207,283</u>	<u>263,749</u>			
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>			
District's Covered Payroll	\$ 47,487,001	\$ 47,830,468			
Contributions as a Percentage of Covered Payroll	0.44%	0.55%			
ASRS - Long-term Disability	<u>2018</u>	<u>2017</u>			
Statutorily Required Contribution	\$ 75,375	\$ 66,158			
Contributions in Relation to the Statutorily Required Contribution	<u>75,375</u>	<u>66,158</u>			
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>			
District's Covered Payroll	\$ 47,487,001	\$ 47,830,468			
Contributions as a Percentage of Covered Payroll	0.16%	0.14%			

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A
JUNE 30, 2018**

NOTE 1 BASIS OF ACCOUNTING

The General Fund budgetary comparison schedule is prepared on the budgetary basis of accounting. See Note 3 on the next page for a reconciliation of the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 2 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 3 on next page 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 four subsections (see Note 1 in the basic 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.

No supplementary budgetary appropriations were necessary during the year.

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A
JUNE 30, 2018

NOTE 3 BUDGETARY COMPARISON SCHEDULE RECONCILIATION

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 and does not include the other internally maintained funds.

In addition, prepaid insurance was budgeted as an expenditure in the year in which it is paid. Consequently, the following 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	\$ 63,752,844	\$ 63,286,773	\$ 590,457	\$ 36,247,053	\$ 37,288,145
Non Maintenance and Operation Activity Included in General Fund	(2,241,211)	(2,897,949)	(730,457)	(24,738,497)	(24,812,216)
Current Year Prepaid Items	-	6,949,288	-	-	(6,949,288)
Items Prepaid in a Prior Fiscal Year that were Reported as Expenditures in the Current Year.	-	(6,438,454)	-	(6,438,454)	-
Budgetary Comparison Schedule - General Fund	<u>\$ 61,511,633</u>	<u>\$ 60,899,658</u>	<u>\$ (140,000)</u>	<u>\$ 5,070,102</u>	<u>\$ 5,526,641</u>

NOTE 4 COST SHARING PLAN

Information prior to the measurement date June 30, 2013 was not available. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*, requires the District to present ten years of pension and OPEB information as required supplementary information. However, until a full ten years of trend data is compiled, the District will present information for only those years for which information is available.

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**STATISTICAL SECTION
(UNAUDITED)**

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**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
ENROLLMENT (ADM)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	ADM	Increase/ (Decrease)	Percent Change
2017-18	10,766	24	0.22%
2016-17	10,742	124	1.17%
2015-16	10,618	70	0.66%
2014-15	10,548	375	3.69%
2013-14	10,173	332	3.37%
2012-13	9,841	195	2.02%
2011-12	9,646	(78)	-0.80%
2010-11	9,724	323	3.44%
2009-10	9,401	57	0.61%
2008-09	9,344	420	4.71%

Source: Arizona Department of Education Resident Average Daily Membership Recap Day 1 through 100.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NET ASSESSED AND ESTIMATED ACTUAL VALUATION OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Estimated Actual Valuation	Assessed Valuation		Percent of Assessed Valuation of Estimated Actual Valuation	
		Primary	Secondary	Primary	Secondary
2017-18	\$ 7,805,296,915	\$ 756,560,104	\$ 940,968,475	9.69 %	12.06 %
2016-17	7,259,879,120	703,245,154	860,154,054	9.69	11.85
2015-16	6,786,726,616	661,374,248	780,369,365	9.75	11.50
2014-15	5,639,986,190	619,728,002	652,775,053	10.99	11.57
2013-14	4,822,640,096	570,004,892	577,493,266	11.82	11.97
2012-13	5,901,935,374	579,584,448	584,148,304	9.82	9.90
2011-12	5,274,896,125	640,228,935	644,383,622	12.14	12.22
2010-11	6,302,727,958	754,076,852	782,205,291	11.96	12.41
2009-10	7,961,283,309	875,411,148	988,320,957	11.00	12.41
2008-09	9,309,020,670	807,300,286	1,111,725,572	8.67	11.94

Notes: Estimated Actual Valuations were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll and are presented net of the estimated actual value of exempt property.

Assessed Valuations were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll. Property has been assessed the following percentages of limited cash value for primary taxes and full cash value for secondary taxes as set forth in the Arizona Revised Statutes: mining property at 18%; utility property at 18%; railroad property at 15%; commercial and industrial property at 18%; residential property at 10%; and agricultural property at 15%.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
 ASSESSED VALUATION BY PROPERTY CLASSIFICATION
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

NET LIMITED ASSESSED VALUATION BY PROPERTY CLASSIFICATION

Fiscal Year	Mines, Utilities and Commercial	Agriculture and Vacant	Primary Residential Property	Lease or Rented Residential	Railroad and Airlines	Historical Property	Certain Government Property Improvements	Total
2017-18	\$ 111,515,456	\$ 41,463,889	\$ 440,246,523	\$ 157,773,008	\$ 185,002	\$ 5,339,613	\$ 36,613	\$ 756,560,104
2016-17	105,747,613	39,751,681	402,490,506	149,600,345	188,920	5,431,869	34,220	703,245,154
2015-16	102,915,541	43,291,455	372,524,561	137,007,967	213,298	5,395,228	26,198	661,374,248
2014-15	98,551,915	41,706,756	352,905,743	121,451,807	229,838	4,850,631	31,153	619,727,843
2013-14	104,209,067	45,253,195	322,226,008	96,752,738	215,474	1,307,199	41,211	570,004,892
2012-13	111,862,116	46,253,154	361,213,618	60,034,070	213,297	-	8,193	579,584,448
2011-12	122,368,161	69,198,419	385,975,862	62,460,710	193,709	-	12,010	640,208,871
2010-11	141,289,936	99,368,514	446,938,977	66,274,689	204,736	-	-	754,076,852
2009-10	138,772,372	129,941,567	541,547,836	64,929,982	219,391	-	-	875,411,148
2008-09	124,820,176	120,342,155	510,991,186	50,891,393	255,376	-	-	807,300,286

Note: Assessed valuation amounts were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll.

SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION

Fiscal Year	Mines, Utilities and Commercial	Agriculture and Vacant	Primary Residential Property	Lease or Rented Residential	Railroad and Airlines	Historical Property	Government Property Improvements	Total
2017-18	\$ 128,947,038	\$ 70,496,582	\$ 536,180,479	\$ 198,641,099	\$ 217,650	\$ 6,436,893	\$ 48,734	\$ 940,968,475
2016-17	117,919,930	65,241,724	486,842,608	183,765,563	203,140	6,136,960	44,129	860,154,054
2015-16	107,434,385	56,231,915	444,823,523	166,224,039	217,650	5,408,805	29,048	780,369,365
2014-15	99,333,638	45,625,254	371,832,661	130,865,107	232,160	4,855,080	31,153	652,775,053
2013-14	104,462,543	49,992,902	322,769,345	98,689,207	217,651	1,320,408	41,211	577,493,266
2012-13	112,247,864	49,684,843	361,894,724	60,095,030	217,650	-	8,193	584,148,304
2011-12	122,858,257	72,491,100	386,323,148	62,481,457	217,650	-	12,010	644,383,622
2010-11	154,856,537	111,748,416	447,916,652	67,437,016	246,670	-	-	782,205,291
2009-10	166,060,751	194,526,240	558,137,992	69,334,794	261,180	-	-	988,320,957
2008-09	147,324,846	206,833,467	689,684,500	67,961,359	290,200	-	-	1,112,094,372

Note: Assessed valuation amounts were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
ASSESSMENT RATIOS
LAST FIVE FISCAL YEARS
(UNAUDITED)**

<u>Property Classification (a)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Mining, Utilities, Commercial and Industrial	19.50%	19.00%	18.50%	18.00%	18.00%
Agriculture and Vacant Land	16.00	16.00	16.00	15.00	15.00
Primary Residential Property	10.00	10.00	10.00	10.00	10.00
Leased or Rented Residential	10.00	10.00	10.00	10.00	10.00
Railroads, Private Rail Cars, and Airlines	15.00	16.00	15.00	14.00	15.00

Source: County Assessors Office

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
PRINCIPAL TAXPAYERS
JUNE 30, 2018
(UNAUDITED)**

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2017-18 Secondary Assessed Valuation</u>	<u>As percent of District's Secondary Assessed Valuation</u>
Arizona Public Service Company	Gas and Electric Utility	\$ 16,138,063	1.72 %
Wigwam Inn, Inc.	Resort	6,134,325	0.65
Southwest Gas Corporation	Gas and Electric Utility	5,268,267	0.56
First American Title Insurance Co.	Shopping Centers	4,906,630	0.52
The Market at Estrella Falls LLC	Shopping Centers	4,753,016	0.51
Litchfield Park Service Co - Water	Water and Sewer	3,705,360	0.39
Litchfield Park Service Co - Sewer	Water and Sewer	3,618,840	0.38
PRCP-Avondale I LLC	Apartments	2,957,646	0.31
Aldea Apartments LLC	Apartments	2,834,630	0.30
Alameda Crossing Station LLC	Shopping Centers	2,823,826	0.30
Totals		<u>\$ 53,140,603</u>	<u>5.64 %</u>

Source: Maricopa County Assessor's Office.

Note: Assessed valuation amounts were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll and the Maricopa County Assessor.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
REAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Real Property Tax Levy	Collected to June 30 End of Tax Fiscal Year		Collected as of June 30, 2018	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2017-18	\$ 26,356,929	\$ 24,888,823	94.43 %	\$ 24,888,823	94.43 %
2016-17	26,582,288	26,511,246	99.73	26,579,966	99.99
2015-16	25,361,703	25,039,680	98.73	25,358,747	99.99
2014-15	23,947,689	22,764,864	95.06	23,945,538	99.99
2013-14	22,679,607	21,477,190	94.70	22,676,735	99.99
2012-13	22,723,252	21,599,878	95.06	22,722,013	99.99
2011-12	20,792,256	19,659,028	94.55	20,554,149	98.85
2010-11	22,351,729	21,371,010	95.61	22,350,508	99.99
2009-10	23,944,263	21,616,520	90.28	22,899,347	95.64
2008-09	22,658,358	20,679,748	91.27	22,340,738	98.60

Source: Maricopa County Assessor's Office.

Notes: Real Property Tax Levies and Collections were obtained from the Maricopa County Treasurer.

Assessment and Collections: Under Arizona Law, the County Board of Supervisors is required to levy a tax in an amount sufficient to satisfy debt service requirements of each school district in the County. Real property taxes are levied and collected on property within a school district and certified by the County Treasurer on behalf of the school district.

Taxes Due: Real property taxes are payable in two 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. Delinquent taxes are subject to a penalty of 16% per annum, prorated at a monthly rate of 1.33%. Penalties for delinquent taxes are not included in the above collected figures.

Unsecured personal property taxes are not included in this schedule.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
PROPERTY TAX RATES PER \$100 OF ASSESSED VALUATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Primary</u>	<u>Secondary</u>	<u>Total</u>
2017-18	\$2.04	\$1.44	\$3.48
2016-17	2.25	1.57	3.82
2015-16	2.26	1.57	3.83
2014-15	2.33	1.45	3.78
2013-14	2.44	1.54	3.98
2012-13	2.31	1.58	3.89
2011-12	1.94	1.32	3.26
2010-11	1.62	1.30	2.92
2009-10	1.62	1.01	2.63
2008-09	1.76	0.77	2.53

Source: Maricopa County Assessor's Office.

Notes: Property Tax Rates were obtained from the Maricopa County Tax Levies and Rates.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
 DIRECT AND OVERLAPPING ASSESSED VALUATIONS
 AND GENERAL OBLIGATION BONDED INDEBTEDNESS
 JUNE 30, 2018
 (UNAUDITED)**

	Litchfield Elementary School District No. 79 <hr style="border: 0.5px solid black;"/>
Total Direct General Obligation Bonded Debt Outstanding and to be Outstanding	\$ 50,845,000
Primary Assessed Valuation	756,560,104
Secondary Assessed Valuation	940,968,475
Estimated Net Full Cash Value	7,805,296,915

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Property Tax Rates and Assessed Values, Arizona Tax Research Association.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
DIRECT AND OVERLAPPING ASSESSED VALUATIONS AND TAX RATES
PER \$100 ASSESSED VALUATION
JUNE 30, 2018
(UNAUDITED)

Overlapping Jurisdiction	2017/18 Net Limited Assessed Valuation	2017/18 Total Tax Rate Per \$100 Assessed Valuation
State of Arizona	\$ 59,406,279,473	None
Maricopa County	38,251,891,249	1.8884 (a)
Maricopa County Community College District	38,251,891,249	1.4096
Maricopa County Fire District Assistance Tax	38,251,891,249	0.0102
Maricopa County Special Health Care District	38,251,891,249	0.2851
Maricopa County Library District	38,251,891,249	0.0556
Maricopa County Flood Control District (b)	34,709,158,781	0.1792
Central Arizona Water Conservation District	38,251,891,249	0.1400
Buckeye Valley Volunteer Fire District	127,064,128	3.2500
Adaman Irrigation and Water Delivery District #36	NA	10.0500 / acre
McMicken Irrigation District	NA	1.0505 / acre
Roosevelt Irrigation District	NA	27.1000 / acre
Goodyear Community Facilities General District #1	115,968,583	0.9600
Goodyear Community Utilities General District #1	317,994,295	1.1500
Palm Valley Community Facilities District #3	70,779,991	0.8682
Verrado Community Facilities District #1	83,959,273	4.2805
Village at Litchfield Park Community Facilities District	22,398,626	1.4173
Electrical District #7	836,287,783	0.0104
City of Avondale	370,922,156	1.6000
City of Buckeye	375,076,410	1.8000
City of Goodyear	763,038,272	1.7349
City of Litchfield Park	74,474,735	0.0000
Western Maricopa Education Center (West-MEC) (b)	14,005,834,321	0.1780
Agua Fria Union High School District No. 216	1,102,200,012	3.7145
Litchfield Elementary School District No. 79	756,560,104	3.4763

(a) Includes the State Equalization Assistance Property Tax levied by the County.

(b) Excludes the personal property assessed value within the County.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT
JUNE 30, 2018
(UNAUDITED)

Overlapping Jurisdiction	General Obligation Bonded Debt (b)	Proportion Applicable to the District (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	1.27%	None
Maricopa County	None	1.98%	None
Maricopa County Community College District	\$380,740,000	1.98%	\$7,538,652
Maricopa County Special Health Care District	75,000,000	1.98%	1,485,000
Goodyear Community Facilities Utilities General District #1	35,115,000	89.60%	31,463,040
Village at Litchfield Park Community Facilities District	2,540,000	100.00%	2,540,000
City of Avondale	18,550,000	20.79%	3,856,545
City of Buckeye	0	17.82%	0
City of Goodyear	97,065,000	44.59%	43,281,284
City of Litchfield Park	0	99.27%	0
Agua Fria Union High School District No. 216 (c)	93,570,000	68.64%	64,226,448
Western Maricopa Education Center (West-MEC)	126,600,000	5.40%	6,836,400
Litchfield Elementary School District No. 79 (c)	50,845,000	100.000%	<u>50,845,000</u>
Net Direct and Overlapping General Obligation Bonded Debt			<u><u>\$ 250,150,527</u></u>

Source: The various entities and Finance Department of Maricopa County

(a) Utilizes the estimated percent of secondary assessed value of the indicated overlapping entity that lies within the district to the combined secondary assessed value of the overlapping municipal entity.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT RATIOS
JUNE 30, 2018
(UNAUDITED)

	Per Capita Bonded Debt Population Estimated at 79,438	As Percent of District's 2017/18 Secondary Assessed Valuation	As Percent of District's 2017/18 Estimated Net Full Cash Value
Net Direct General Obligation Bonded Debt	\$ 640	5.40%	0.65%
Net Direct and Overlapping General Obligation Debt	3,149	26.58%	3.21%

Source: U.S. Census Bureau, American Community Survey Demographic and Housing Estimates: 2011.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
 COMPUTATION OF LEGAL DEBT LIMITATIONS
 JUNE 30, 2018
 (UNAUDITED)**

Net Secondary Assessed Value		<u>\$ 940,968,475</u>
Total District General Obligation and Refunding Bonds		
Debt Limitation - 15% of Net Secondary Assessed Value		\$ 141,145,271
Amount of Debt Applicable to Debt Limit:		
Class A Bonds Outstanding	\$	-
Class B Bonds Outstanding		50,845,000
Total Amount of Debt Applicable to Debt Margin		<u>50,845,000</u>
Legal Debt Margin		<u>\$ 90,300,271</u>
Class B Bonds		
Debt Limit - 10% of Net Secondary Assessed Valuation		\$ 94,096,848
Debt Limit - \$1,500 Per Student Count		16,149,000
Amount of Debt Applicable to Debt Limit:		
Class B General Obligation Bonds Outstanding	\$	50,845,000
Total Debt Applicable to Debt Margin		<u>50,845,000</u>
Legal Debt Margin		<u>\$ 43,251,848</u>

Source: Maricopa County Assessor's Assessment Roll and the District's records.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
ANNUAL DEBT SERVICE REQUIREMENTS OF
GENERAL OBLIGATION BONDED DEBT OUTSTANDING
JUNE 30, 2018
(UNAUDITED)**

Fiscal Year	Outstanding General Obligation Bonded Debt Service Requirements		Total Debt Service Requirements
	Principal	Interest	
2018-19	\$ 4,510,000	\$ 1,985,386	\$ 6,495,386
2019-20	5,115,000	1,730,175	6,845,175
2020-21	4,835,000	1,552,625	6,387,625
2021-22	5,300,000	1,362,925	6,662,925
2022-23	5,705,000	1,142,925	6,847,925
2023-24	5,050,000	906,425	5,956,425
2024-25	5,395,000	738,175	6,133,175
2025-26	2,785,000	580,675	3,365,675
2026-27	2,875,000	477,650	3,352,650
2027-28	3,005,000	347,525	3,352,525
2028-29	3,115,000	214,475	3,329,475
2029-30	3,155,000	112,150	3,267,150
Totals	\$ 50,845,000	\$ 11,151,111	\$ 61,996,111

Source: Litchfield Elementary School District.

Notes: The data in this table was obtained from the Debt Retirement Schedules.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
SCHOOL FACILITIES
JUNE 30, 2018
(UNAUDITED)

<u>Facility</u>	<u>Grade Range</u>
Barbara B. Robey Elementary School	K-5
Corte Sierra Elementary School	K-5
Dreaming Summit Elementary School	K-5
Litchfield Elementary School	K-5
L. Thomas Heck Middle School	6-8
Mabel Padgett Elementary School	K-5
Palm Valley Elementary School	K-5
Rancho Santa Fe Elementary School	K-5
Scott Libby Elementary School	K-5
Verrado Elementary School	K-5
Verrado Heritage Elementary School	K-8
Verrado Middle School	6-8
Western Sky Middle School	6-8
Wigwam Creek Middle School	6-8
White Tanks Learning Center	K-8

Source: Litchfield Elementary School District.