

TUCSON UNIFIED

SCHOOL DISTRICT



Tucson Unified School District No. 1
1010 E 10th Street
Tucson, Arizona 85719

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2018

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
TUCSON UNIFIED SCHOOL DISTRICT NO. 1
TUCSON, ARIZONA
FOR THE YEAR ENDED JUNE 30, 2018**

ISSUED BY:
FINANCIAL SERVICES DEPARTMENT

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Introductory Section



Tucson Unified is where
Students love to **L**earn
Teachers love to **T**each
and People love **o** to Work
We are **e** Team TUSD



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January 31, 2019

Citizens and Governing Board
Tucson Unified School District No. 1
1010 E. Tenth Street
Tucson, Arizona 85719

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

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

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

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

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

PROFILE OF THE DISTRICT

Everything Under the Sun Video about the district programs
https://youtu.be/l3vsZ_p8n8A

Tucson Unified School District is very proud that it is the oldest district in Arizona and was created by a territorial board of supervisors in November 1867 before Arizona was a state in the union. Tucson Unified is one of 18 public school districts located in Pima County and ultimately was formed by the unification of Tucson Elementary School District No. 1 and Tucson High School District No. 1 on July 1, 1976. The District provides public education services to over 44,000 students from Pre-Kindergarten through grade 12. District schools are spread over 230 square miles of the metropolitan Tucson area and certain unincorporated areas of the County. The average age of school structures is 46 years.

As the second largest school district in Arizona and among the 100 largest school districts in the United States, Tucson Unified's 2017-2018 student enrollment is approximately 80 percent from minority ethnic groups and more than 80 world languages are spoken in the District. The District offers extensive educational programs, such as advanced learning experiences (ALE), career and technical education (CTE), gifted and talented education (GATE), award winning fine arts, bilingual and multicultural education. The District is composed of traditional comprehensive schools, magnet schools, and flexible alternative programs customized to meet our students' needs. The District is also a member of the Pima County Joint Technological District (JTED), which provides students with hands-on skills for their career or college path.

Each school district within Pima County is a separate political subdivision of the state with geographic boundaries organized for the purpose of the administration, support, and maintenance of the public schools. The District's purpose and responsibility is to provide an efficient educational system for the children enrolled in public schools within its boundaries, whereby each child has access to programs and services that are appropriate to his or her educational needs.

The District's Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures/expenses. The Governing Board consists of five members, each of whom is elected for a four-year term on a staggered basis. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance, and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Workers' compensation insurance and certain employee health insurance benefits are provided through legally separate trusts, which function in essence as departments of the District and therefore have been included as an integral part of the District financial statements. The District is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, student transportation, construction, and maintenance of District facilities, food services, and extracurricular activities.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy. The economy of the District is centered on Pima County, which has a population of nearly 1 million. The City of Tucson encompasses approximately 227 square miles. Principal economic activities within the district include manufacturing, services, government, education, and tourism. Some of Tucson's largest employers are listed in the Statistical Section of this Comprehensive Annual Financial Report. Tucson is home to many family-friendly events each year including the world's largest gem, mineral, and fossil shows, the Tucson Festival of Books and the International Mariachi Festival. Since 1975, Metropolitan Tucson has grown by an average of 2.4 percent per year. There have been only two instances within the reported time period where population growth fell below 1 percent. By 2020, the Tucson region will be home to nearly 1.3 million people. Since 2008, the region suffered an economic setback and endured the real estate crisis that resulted in reduced home values and lost jobs. However, in the most recent data, we see positive and upward trending in the market and improved conditions that restored some of the losses in real estate and employment.

State Funding: State Capital budget cuts continue to cause a strain on the District's financial health. The cumulative capital reduction for the District has reached a total of \$136 million through 2017-2018. This has forced the district to rely on its Maintenance and Operations fund to sustain capital needs throughout the district, such as building improvements, school buses, and technology equipment. These Capital funding cuts and other reductions to education have led Arizona to rank at the bottom in the nation for per-student funding and expenditures.

District Plans. Tucson Unified School District is poised to realize its full potential as a high-performing school district delivering a college- and career-ready education for every student in every school in every part of Tucson.

A. Five-Year Strategic Plan:

In February 2014, the Governing Board approved a Five-Year Strategic Plan that included strategic priorities in five key areas: curriculum, diversity, finance, operations, and communication. The plan was formed with input from more than 400 community members. For each year, each category in the plan contains five strategic priorities and five SMART (specific, measurable, achievable, realistic, and time-bound) goals. In all, the five-year plan contains 125 goals designed to serve as a road map for achieving high performance and tight alignment. The plan was informed by key studies: a curriculum audit, an efficiency audit, a demographic study and a boundary review. These audits and plans were used to form the basis for understanding where Tucson Unified needs to grow and improve. The District is revising the goals for 2018-2019 and beyond.

B. Comprehensive Curriculum:

The Curriculum Department continues to develop a comprehensive curriculum in each subject area. This work began in 2013-14 with an aggressive push to develop a written curriculum aligned to standards and appropriate for systematic deployment. The Curriculum Department started the process with an emphasis on the core subjects of English Language Arts and Mathematics, developing curriculum maps and a written scope and sequence to ensure that students at all sites – regardless of race, ethnicity, ELL status, or socio-economic background – would be exposed to teaching which reflects an underlying curriculum assigned to consistent standards. Instructional improvement was tailored to Charlotte Danielson’s Framework for Teaching (which also underlies the District’s teacher evaluation instrument). In 2014-2015, the District launched “Curriculum 2.0,” an effort to refine and revise the Curriculum developed the previous year and has continued to revise and refine it with the launch of Curriculum 5.0, which focuses heavily on intervention, acceleration and improving AZMerit test scores, which are used in part by the state to issue letter grades for schools.

C. Technology:

Technology continues to be a core focus of the District. This year, Wi-Fi access was enabled on every school campus and District building, enabling students, teachers, staff and guests to use Wi-Fi services. The District offered free test preparation software to all students via Edgenuity, an online education services. Students can use this software to prepare for tests such as the AZMerit, PSAT, SAT and ACT as well as Advanced Placement tests. The District also adopted InTouch, software that makes paying fees, providing money for school meals, registering for sports and making Tax Credit donations easier for parents by taking these tasks online. Tucson Unified launched Microsoft 365 in 2017-2018, making its tools available throughout the District. This is a powerful tool that enables teachers and staff to share knowledge and collaborate. These developments continue the leaps in technology by the District in the past several years. Recent advancements include the Electronic Resource Planning (ERP) system, Infinite Visions, which was installed and implemented at the District in 2015-2016 and has continued to be refined and streamlined. In the past three years, the District also adopted new systems such as Applitrack for online applicant tracking, Aesop, which is used for acquiring substitute teachers for absent teachers, Time Clock Plus for employee hours, FAMIS, a facilities asset maintenance system, SchoolSpace, which is a facilities rental system and MapNet for bus routing.

D. Content Management System:

In 2016-2017, the District completed a competitive bidding process for a content management system that would include a new District website, intranet, and individual school websites. The District ultimately contracted with SchoolDesk, a company that specializes in school district websites, having produced 2,476 websites in 38 states. Although the conversion process to the new website was lengthy, the team has updated and migrated thousands of pages of information into the new site. The process to update District and School websites is ongoing, as new features and unique school branding is added. Each website has a uniform and clearly organized design, with information that is easy for parents, students, and community members to find.

Through the intuitive interface, designated school staff can easily update web content. Initial training and support was provided by the vendor, and has been on going by the designated Communication's team as new school webmasters are assigned. The new content management system is a significant step toward ensuring that all schools have current, appealing websites for marketing, recruiting, and informational purposes. The District launched the main website and school sites in June 2017, and are currently in the process of migrating all sites to a mobile-friendly, responsive platform.

E. Desegregation Order:

The District continues to operate under a Unitary Status Plan (USP) that serves as a guide to achieving Unitary Status as required by the court in 2013. The District had been under a federal desegregation order (Stipulation of Settlement) from 1978 until 2008, when it was declared unitary, removed from federal court supervision and placed under a Post-Unitary Status Plan. The plaintiffs in the case appealed, won, and in 2011, the District was placed back under federal court supervision. The Unitary Status Plan (USP) contains 20 implementation plans in areas such as advanced learning opportunities, marketing and outreach, and professional development. The District looks forward to reaching Unitary Status in the near future based on its demonstrated commitment to integration, diversity, and equity.

As it stands, local taxes fund TUSD efforts to comply with desegregation orders and agreements with the U.S. Department of Justice Office of Civil Rights (OCR), under A.R.S. 15-910(G). Because some desegregation compliance activities overlap with OCR compliance activities, the USP has been developed in a way that attempts to harmonize those overlapping activities into a single document. Other OCR compliance activities continue to be funded and tracked separately.

F. General Fund Efficiency Measures:

The District overhauled the budget process in fiscal year 2013-2014 and implemented a staffing and allocation standard to fund schools. The standards have been further refined to include standard and supplemental allocations from all funding sources. These new standards reallocated the available resources in a more equitable manner and focused on student achievement and improving the student learning experience at all schools.

Initiatives that are underway and are projected to either start or be completed during fiscal year 2017-18 are as follows:

- The District implemented Synergy, a new Student Information System (SIS) to manage student data, including enrollment, attendance and grades. Synergy provides the capabilities for registering students in courses, documenting grading via Gradebook, homework assignments, transcripts, student assessments student schedules, attendance, and managing many other student-related data needs at our campuses. The system gives students and parents access to student information via computer and mobile devices. In 2017-2018, the District piloted online registration and will implement district wide in 2018-2019.

Synergy is also the source of student information, which enables other applications to interface with and provide additional functionality such as Food Services – via Horizon, Student Finance – via InTouch, ParentLink, School City, Transportation, etc. This system replaced the District’s outdated program and is in line with systems used throughout the state.

- The District continues to build upon its procurement card initiative into the 2018-2019 school year, which helped streamline complex operations and significantly reduced the cost and time of purchasing. The program has resulted in a cumulative total of more than **\$3.3 million in rebates** to the District since inception. Proceeds from these funds are being allocated to the district’s fine arts, athletics and other extracurricular programs that benefit students directly.
- Solar and Energy Management control systems continue to be implemented and maintained districtwide to better manage and reduce utility costs in the district. The expected savings through the life of the contract is \$34.5 million.

G. Other Major Initiatives:

The primary focuses across the District are proficiency and growth. Key initiatives will focus on:

- Intervention, reading and math support during the day
- Student behavioral support servicing during the day
- PLCs with effective course and grade level teacher teams
- Tier 1 highly effective teaching strategies
- MTSS
- School Safety and classroom management
- Professional development during the workday
- Principal support
- Recruitment and retention of highly qualified teachers
- K-3 literacy
- Increasing classroom dollars and instructional support

Another area of focus is on improved communication and response from the District to families and from administration with school site personnel. This initiative includes improving response time when questions come in and follow-up to ensure matters are resolved in a timely and satisfactory manner.

The District continues to develop opportunities for students to get real-world work experience. The District paired with the Hispanic Chamber for the YEA Entrepreneur program that provided students an opportunity to pitch business ideas and develop them with the help of mentors from the community.

Additionally, the District has emphasized the continued development of Professional Learning Communities to support teachers and staff and to focus on improving student learning.

The District launched “Knowledge Changes Everything,” an initiative that aims to communicate the benefits of an integrated education. The initiative includes research on the benefits to children and society at-large, television commercials and print and digital advertising.

AWARDS AND ACKNOWLEDGMENTS

Awards

Tucson Unified is proud to create excellent learning opportunities for all of our students who choose to be a part of the district. The district has established numerous programs in our schools to embrace and challenge all of our kindergarten through 12th grade students. For SY 2017-18 the following recognitions have been awarded to our schools:

- Mansfeld- Magnet School of Excellence Merit Award, A+ School of Excellence, AZ PBIS Award Winner
- Richard Sanchez, MSA Region 8 Principal of the Year
- Dodge Middle School- Magnet School of Distinction
- Davis Elementary- Magnet School of Distinction
- Fruchthendler Elementary School- A+ School of Excellence
- 2017-2018 FAFSA Grant winner
- 2018- Best Communities for Music Education from the National Association of Music Merchants (NAMM) Foundation for its outstanding commitment to music education. Acknowledged for the third consecutive year, TUSD is the only school district in Arizona to receive this recognition.

Students and families are experiencing many positive impacts due to the focus and hard work within the district. Some of the “Big Wins” include:

- Tucson Unified received partial release from Court Ordered Unitary Status
- Developed a revised Code of Conduct that is user and mobile friendly, while increasing classroom autonomy and control for teachers.
- Over the last 2 years, a 20% reduction in teacher vacancies has been achieved.
- Tucson Unified High Schools have experienced a 5-7% improvement in academic achievement for both English and Math on the AZ Merit Tests.
- Grade 5-8 received a 4-8% improvement for Math and English on the AZ Merit Tests.
- All schools have installed Keyless entry systems with cameras.
- Deployed Digital Tablets to all kindergarten through 3rd grade classrooms.
- Restoration of Music education in all Kindergarten through 8th grade classes.
- Establish Extended Day Learning Academy in all District High Schools to assist with student credit recovery.
- Expanded the Career and Technical Education (CTE) programs throughout the district.
- Conversion of Santa Rita High School to a CTE Academy focus.
- Expansion of the Dual Enrollment program opportunities throughout the district, which has tripled the amount of Dual enrollment courses in 2 years from 16 to 41.
- Student support services are available during day for drug, alcohol offenders

Over the past few years, Tucson Unified has developed numerous specialized programs to fit all levels of student needs. We are excited to see the programs grow and have a positive impact on how Tucson Unified is preparing students to be well-educated and successful members of the community. The program options that our students can choose from are:

Magnet- specialize in STEAM/STEM and the Arts

Gifted and Talented Education (GATE) – classes are available in most schools, as well as full-day programs are available

Dual Language – Spanish/English classes are growing and students are achieving higher than average test scores as each year.

Dual Credit- Enables students to receive simultaneous academic credit from both the college and high school, saving students thousands of dollars.

Career and Technical Education (CTE) – Prepares students for workforce success and continuous learning.

Advancement Via Individual Determination (AVID) – is a school-wide college and career readiness system.

Alternative (On-line learning) – provide a TUITION-FREE* online education alternative for middle and high school students.

Teenage Parent High School (TAP) – supporting pregnant and parenting teens to continue and graduate from high school.

Exceptional Education – Developing special education support programs to ensure the success of all levels of learners. Tucson Unified has one of the largest coordinated programs in Arizona.

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

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

Respectfully submitted,



Dr. Gabriel Trujillo
Superintendent



Renee Weatherless
Executive Director, Finance



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Tucson Unified School District No. 1

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

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



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

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

A handwritten signature in black ink that reads 'John D. Musso'.

John D. Musso, CAE
Executive Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Tucson Unified School District No. 1
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

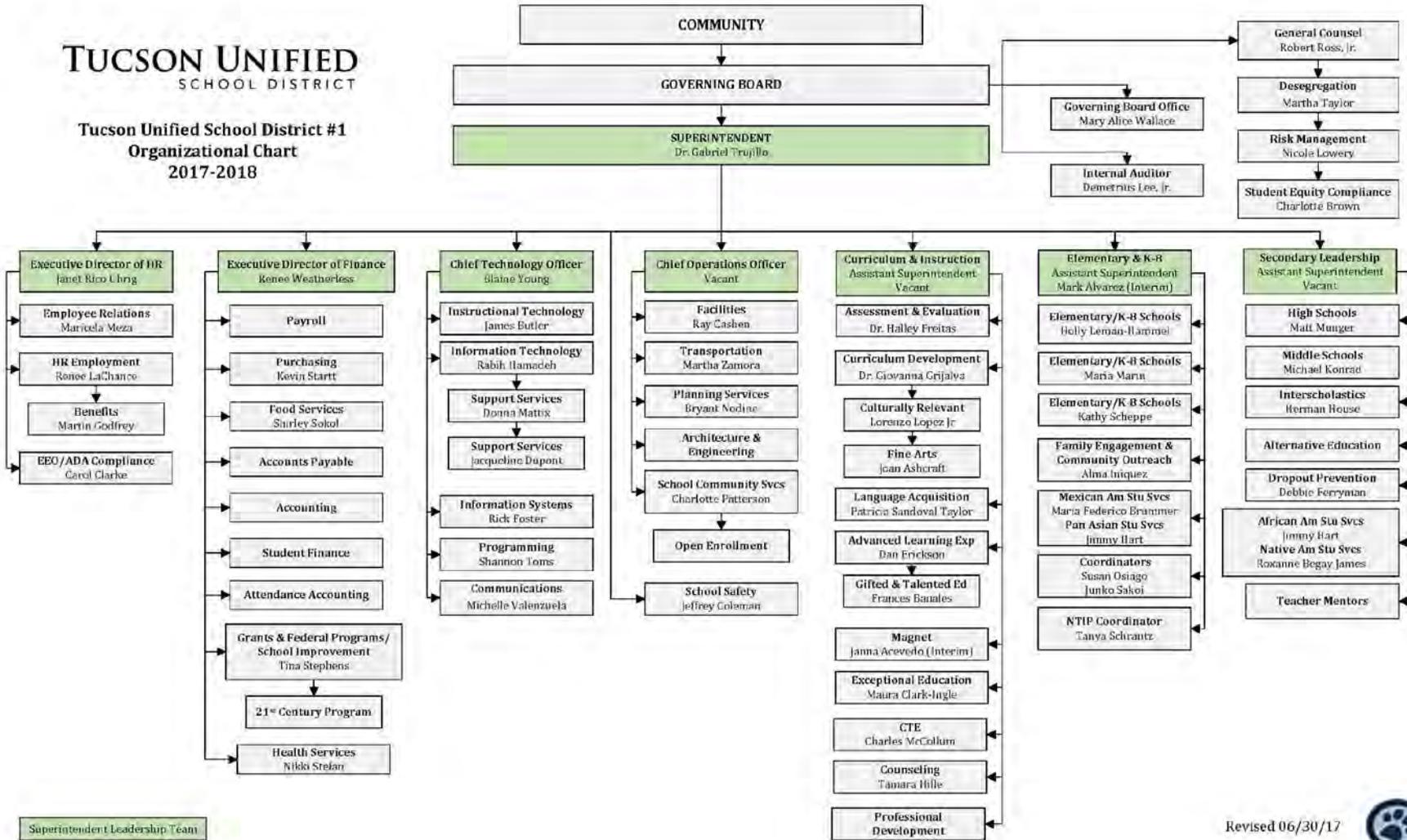
June 30, 2017

Christopher P. Morrell

Executive Director/CEO

TUCSON UNIFIED SCHOOL DISTRICT

Tucson Unified School District #1 Organizational Chart 2017-2018



Revised 06/30/17



TUCSON UNIFIED SCHOOL DISTRICT NO. 1
PRINCIPAL OFFICIALS

ELECTED OFFICIALS

BOARD OF EDUCATION

PRESIDENT

Mark Stegeman, Ph.D.

CLERK

Kristel Ann Foster

MEMBERS

Adelita S. Grijalva

Michael Hicks

Rachael Sedgwick

APPOINTED OFFICIALS

SUPERINTENDENT

Gabriel Trujillo, Ed.D.

ASSISTANT SUPERINTENDENT ELEMENTARY & K-8 SCHOOLS, INTERIM

Mark Alvarez

ASSISTANT SUPERINTENDENT SECONDARY SCHOOLS

Vacant

LEGAL COUNSEL

Robert Ross

EXECUTIVE DIRECTOR OF FINANCIAL SERVICES

Renee Weatherless

EXECUTIVE DIRECTOR OF HUMAN RESOURCES

Janet Rico Uhrig

CHIEF OPERATIONS OFFICER

Vacant

CHIEF TECHNOLOGY OFFICER

Blaine Young

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Financial Section



Tucson Unified is where
Students love to **L**earn
Teachers love to **T**each
and People love **o** to Work
We are **e** Team TUSD



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tucson Unified School District No. 1 (the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tucson, Arizona
January 31, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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

FINANCIAL HIGHLIGHTS

- The 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 \$188.2 million (net position)
- The District's total net position increased by \$9.9 million. This increase was the result of increased grant funding and state appropriations to the District.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$117.1 million, an increase of \$49.2 million in comparison to the prior year. The increase was substantially due to unexpended proceeds received from the issuance of refunding bonds in the current year.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$18.2 million, or 5.7% of total general fund expenditures.
- Net position for the Internal Service Funds decreased \$0.5 million from the prior fiscal year. Operating expenses of \$32.3 million exceeded operating revenues of \$31.7 million at the end of the current fiscal year.
- The District's total bonded debt increased by \$42.8 million in the current year as a result of the issuance of advance refunding bonds.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

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

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decision. 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.

For external financial reporting purposes, the District aggregates and maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Special Projects Fund, and Debt Service Fund, all of which are considered to be a major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and schedules.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Proprietary funds. The District maintains one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its employee benefits self-insurance and worker's compensation self-insurance programs. As the District does not operate any business-type activities, and the internal service funds solely benefit the governmental functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single column on the proprietary fund statements. Additional detail of the internal service funds can be found in the combining statements.

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

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

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 basis financial statements or as required supplementary information (RSI) other than the MD&A. The District has elected to present the General Fund and Special Project Fund budgetary comparison schedules as RSI other than MD&A, which can be found on pages 69-73. Accounting standards also require the District reports schedules of its proportionate share net pension and other postemployment benefit (OPEB) liabilities (assets) and contributions for its cost-sharing pension and OPEB plans as RSI, which can be found immediately following the budgetary comparison schedules.

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 exceeded liabilities and deferred inflows by \$188.2 million at the current fiscal year-end.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The following table presents a summary of the District's net position for the fiscal years ended June 30:

	Net Position		
	<u>Governmental Activities</u>		
	2018	2017	Percent Change
Current and Other Assets	\$ 194,119,383	\$ 145,428,589	33.5 %
Capital Assets	645,268,661	665,524,556	(3.0)
Total Assets	<u>839,388,044</u>	<u>810,953,145</u>	3.5
Deferred Outflows of Resources	66,008,219	82,793,101	(20.3)
Current Liabilities	28,749,947	34,765,955	(17.3)
Noncurrent Liabilities	660,485,945	620,510,983	6.4
Total Liabilities	<u>689,235,892</u>	<u>655,276,938</u>	5.2
Deferred Inflows of Resources	<u>27,930,484</u>	<u>60,093,039</u>	(53.5)
Net Position (Deficit):			
Net Investment in Capital Assets	474,298,602	480,205,341	(1.2)
Restricted	46,305,323	39,771,519	16.4
Unrestricted	(332,374,038)	(341,600,591)	2.7
Total Net Position	<u>\$ 188,229,887</u>	<u>\$ 178,376,269</u>	5.5

At the end of the current fiscal year the District reported a negative unrestricted net position of \$332.4 million as a result of the District's net pension and OPEB liabilities. Positive net position was reported in the other two categories.

The District's financial position is the product of several financial transactions including the net result of activities, the payment of debt, the acquisition, and disposal of capital assets, and the depreciation of capital assets.

The following are significant current year transactions that had an impact on the Statement of Net Position:

- Depreciation expense in excess of additions, as well as the sale of a school building and other capital assets, resulted in a net reduction in capital asset of \$20.3 million (net of accumulated depreciation).
- The net increase in bonds payable of \$42.8 million due to the issuance of advance refunding bonds.
- The reduction of \$3.7 million in capital lease obligations.
- The recognition of a net OPEB asset of \$1.4 million and net OPEB liability of \$0.9 million due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75.
- A decrease in net pension liability of \$2.7 million due to a decline in the District's proportionate share of the ASRS net pension liability.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

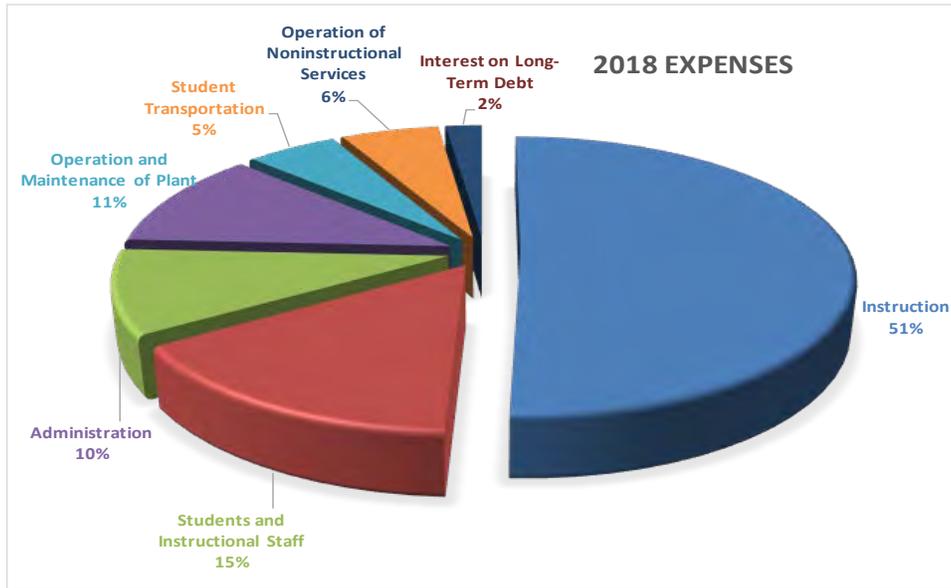
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position. Overall, net position increased \$9.9 million or 5.5%. Key elements of this increase are as follows:

Change in Net Position			
	Governmental Activities		
	2018	2017	Percent Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 14,702,095	\$ 13,894,428	5.8 %
Operating Grants and Contributions	96,245,664	67,852,542	41.8
Capital Grants and Contributions	3,936,577	4,434,548	100.0
General Revenues:			
Property Taxes	177,937,901	180,690,434	(1.5)
Grants and Contributions Not Restricted to Specific Programs:			
Unrestricted State and County Aid	155,702,448	176,057,442	(11.6)
Federal Grants and Aid	3,637,985	4,506,633	(19.3)
Investment Earnings	1,601,949	620,166	158.3
Other	842,410	-	100.0
Gain on the Sale of Assets	717,066	-	N/A
Total Revenues	<u>455,324,095</u>	<u>448,056,193</u>	1.6
EXPENSES			
Instruction	225,916,641	219,854,828	2.8
Support Services:			
Students and Instructional Staff	68,096,204	61,436,186	10.8
Administration	43,684,486	44,826,243	(2.5)
Operation and Maintenance of Plant	50,176,140	49,036,681	2.3
Student Transportation	23,294,896	23,769,388	(2.0)
Operation of Noninstructional Services	25,053,753	25,771,350	(2.8)
Interest on Long-Term Debt	9,248,357	8,400,732	10.1
Total Expenses	<u>445,470,477</u>	<u>433,095,408</u>	2.9
Change in Net Position	9,853,618	14,960,785	(34.1)
Net Position - Beginning of Year	178,376,269	163,415,484	5.5
Net Position - End of Year	<u>\$ 188,229,887</u>	<u>\$ 178,376,269</u>	5.5

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



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

- The increase of \$6.1 million in instructional expense and the increase of \$6.7 million in student and instructional staff are due to increased teacher and support staff salaries, a portion of which includes the 1.06% increase approved by the state.
- The decrease in administration costs of \$1.1 million was due to a restructuring of the District's leadership, as well as vacancy savings due to positions being vacant during the year.
- Interest on long term debt increased \$0.8 million due to timing of debt payments
- The increase in operating grants and contributions of \$28.4 million in program revenues was due to the District receiving additional and larger grant awards in the current year. This increase in grant funding is partially offset by a decline of \$2.8 million in tax revenues, which is due to changes in the District's property tax rates.
- The decrease of \$20.4 million in unrestricted state aid is due to declining enrollment.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$117.1 million, an increase of \$49.2 million in comparison to the prior year. Approximately 15.5% of this total amount (\$18.2 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either nonspendable, which reflects resources of the district that are not in spendable form, or restricted, which reflects resources of the District upon which external restrictions have been placed upon their use.

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

<u>Fund</u>	<u>Balance</u>	<u>Increase (Decrease) From 2016-17</u>
General Fund	\$ 30,008,732	\$ (15,987)
Special Projects Fund	1,477,625	1,028,648
Debt Service Fund	61,361,501	54,411,168
Nonmajor Governmental Funds	24,266,972	(6,124,315)

The Special Projects fund increased due to an increase in the District's First Things First allocation from the prior year.

The increase in the Debt Service Fund was due to the issuance of \$55.4 million in advance refunding bonds, the proceeds of which will be held in the debt service fund to refund older debt issues of the District.

The decrease in the Nonmajor Governmental Funds is largely due to the District spending down resources in its Food Service, and Classroom Site Funds.

Proprietary funds. During the current fiscal year, the District's contributions to the internal service funds were \$30.1 million to fund current year claims expense and administrative costs. Unrestricted net position of the internal service funds at the end of the fiscal year amounted to \$30.6 million. Net position decreased \$0.5 million from the prior fiscal year as the District's contributions for the current year declined from the prior year and existing resources in the fund were spent down.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget for changes in student enrollment. The difference between the original budget and the final amended budget was a \$5.1 million decrease, a decrease of 1.7%.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the state of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$2.6 million in instruction was the result of \$2.4 million savings in salaries and benefits due to a combination of vacant positions and the rate differential between actual salary and benefits expenditures and budgeted amounts using average rates.
- The favorable variance of \$2.1 million in student transportation was a result of an equal split of transportation expenses between Desegregation and Maintenance and Operations funds. No budget reallocations were made to the desegregation transportation budget.
- The favorable variance of \$0.7 million in general administration was the result of a reduction of administrative positions.
- The unfavorable variance of \$2.2 million in operation and maintenance of plant services was a result of salaries budgeted lower than actual spending.
- The unfavorable variance of \$1.2 million in school administration was the result of actual salary expense exceeding budget by \$0.7 million and purchased services exceeding budget expenditures by \$0.5 million.
- The unfavorable variance of \$0.8 million in central services was the result of actual salaries and benefits being lower than budgeted amounts based on average rates, offset by increased technology related expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year-end, the District had invested \$0.6 billion (net of accumulated depreciation) in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net decrease after depreciation of \$20.3 million from the prior fiscal year, primarily due to the sale of a school as approved by voters and depreciation expense for the year was \$25.4 million.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30:

Capital Assets at Year-End
(Net of Accumulated Depreciation)

	Governmental Activities	
	2018	2017
Land	\$ 14,630,119	\$ 14,406,782
Construction in Progress	4,649,392	436,218
Land Improvements	36,173,778	38,286,788
Buildings and Building Improvements	566,371,370	588,791,667
Furniture, Equipment, and Vehicles	23,444,002	23,603,101
Total Capital Assets, Net	\$ 645,268,661	\$ 665,524,556

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

Debt Administration. At the end of the current fiscal year, the District had bonded debt outstanding of \$206 million. All this debt is back by the full faith and credit of the District.

	Governmental Activities	
	2018	2017
General Obligation Bonds	\$ 186,185,000	\$ 148,185,000
Premiums on Bonds	19,890,984	15,081,104
Total Outstanding Debt	\$ 206,075,984	\$ 163,266,104

The District's total bonded debt increased by \$42.8 million, representing the net effect of \$12.6 million in principal payments and premium amortization, and the issuance of \$55.4 million (\$48.5 million in refunding bonds at \$6.9 million premium) in advance refunding bonds.

The District's general obligation bonds are subject to two limits; the Constitutional debt limit (total debt limit) on all general obligation bonds (up to 30% of the total net full cash assessed valuation) and the statutory debt limit on Class B bonds (the greater of 20% of the net full cash assessed valuation or \$1,500 per student). The current total debt limitation for the District is \$904.6 million and the Class B debt limit is \$561.5 million, which are more than the District's total outstanding general obligation and Class B debt, respectively. Additional information on the District's long-term debt can be found in Notes 7 through 9.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- Fiscal year 2017-18 estimated to result in no budget balance carry forward.
- Projected student enrollment used to allocate resources to the sites (estimated 46,804 with Pre-K, 45,208 without Pre-K).
- Average Daily Membership estimated to decrease by -1.6% or approximately -\$4 million.
- The base level increased by \$67.13 or +1.8% for inflation and an additional increase of \$213.13 or 5.7% was added for increased teacher compensation. As a result, teacher salaries were expected to increase \$11.3 million.
- District Additional Assistance state budget reduction previously averaging 86% was decreased to 65% which resulted in approximately +\$4.5 million in increased Capital revenues. These monies were added to classified salaries.
- District initiatives to reduce administrative spending and increase instructional spending.

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

Budgeted expenditures in the General Fund increased 3.4% to \$318.6 million in fiscal year 2018-19.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Financial Services Department, Tucson Unified School District No. 1, 1010 East Tenth Street, Tucson, Arizona 85719.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments	\$ 37,740,224
Restricted Assets	54,986,932
Receivables, Net	
Property Taxes	14,054,824
Accounts	7,865,611
Intergovernmental	75,247,337
Interest	445,559
Inventory	2,362,324
Net Other Postemployment Benefit Asset	1,416,572
Capital Assets:	
Non-Depreciable	19,279,511
Depreciable, Net	625,989,150
Total Assets	839,388,044
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amount on Refunding	7,117,969
Deferred Outflow Related to Pensions	57,336,164
Deferred Outflow Related to Other Postemployment Benefits	1,554,086
Total Deferred Outflow of Resources	66,008,219
LIABILITIES	
Accounts Payable	10,892,618
Accrued Wages and Benefits	15,604,461
Accrued Interest	1,116,632
Intergovernmental Payable	142,570
Claims Payable	993,666
Noncurrent Liabilities	
Net Pension Liability	409,821,128
Net Other Postemployment Benefit Liability	948,559
Claims Payable	3,876,855
Due Within One Year	16,359,978
Due in More Than One Year	229,479,425
Total Liabilities	689,235,892
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	26,191,714
Deferred Inflows Related to Other Postemployment Benefits	1,738,770
Total Deferred Inflow of Resources	27,930,484
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	474,298,602
Restricted for:	
Instructional Purposes	5,224,322
Federal and State Grants	1,477,625
Food Services	1,904,796
Capital Projects	13,718,426
Debt Service	11,042,670
Noninstructional Services	11,520,912
Other Postemployment Benefits	1,416,572
Unrestricted	(332,374,038)
Total Net Position (Deficit)	\$ 188,229,887

See accompanying Notes to Financial Statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 225,916,641	\$ 7,807,589	\$ 54,710,591	\$ 3,936,577	\$ (159,461,884)
Support Services:					
Students	37,073,376	-	7,740,345	-	(29,333,031)
Instructional Staff	31,022,828	-	11,152,129	-	(19,870,699)
General Administration	5,587,939	-	158,044	-	(5,429,895)
School Administration	18,223,568	-	179,304	-	(18,044,264)
Business and Other Support Services	19,872,979	878,785	1,520,339	-	(17,473,855)
Operation and Maintenance of Plant	50,176,140	1,142,357	1,039,333	-	(47,994,450)
Student Transportation	23,294,896	792,480	308,596	-	(22,193,820)
Operation of Noninstructional Services	25,053,753	4,080,884	18,302,403	-	(2,670,466)
Interest on Long-Term Debt	9,248,357	-	1,134,580	-	(8,113,777)
Total	\$ 445,470,477	\$ 14,702,095	\$ 96,245,664	\$ 3,936,577	(330,586,141)
General Revenues:					
Property Taxes					177,937,901
Grants and Contributions Not Restricted to Specific Programs					
State and County Equalization and Additional State Aid					155,702,448
Federal Grants-in-Aid					3,637,985
Investment Earnings					1,601,949
Other					842,410
Gain on the Sale of Assets					717,066
Total General Revenues					340,439,759
Change in Net Position					9,853,618
Net Position - Beginning of Year					178,376,269
Net Position - End of Year					\$ 188,229,887

See accompanying Notes to Financial Statements.

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FUND FINANCIAL STATEMENTS

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Projects	Debt Service
ASSETS			
Cash and Investments	\$ -	\$ -	\$ 7,462,079
Restricted Assets	-	-	54,416,800
Receivables			
Accounts Receivable	430,364	-	-
Accrued Interest	-	-	445,559
Property Taxes	11,422,428	-	1,970,891
Intergovernmental	53,296,504	12,290,439	-
Inventories	1,357,985	-	-
Due from Other Funds	-	-	-
Total Assets	\$ 66,507,281	\$ 12,290,439	\$ 64,295,329
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 5,677,802	\$ 543,129	\$ 2,250
Accrued Wages and Benefits	14,053,832	1,134,399	-
Accrued Interest	27	-	1,116,605
Due to Other Funds	6,669,164	9,135,286	-
Intergovernmental Payable	142,570	-	-
Total Liabilities	26,543,395	10,812,814	1,118,855
Deferred Inflows of Resources			
Unavailable Revenue	9,955,154	-	1,814,973
Fund Balances			
Nonspendable	1,357,985	-	-
Restricted	10,490,744	1,477,625	61,361,501
Unassigned	18,160,003	-	-
Total Fund Balances	30,008,732	1,477,625	61,361,501
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 66,507,281	\$ 12,290,439	\$ 64,295,329

See accompanying Notes to Financial Statements.

<u>Nonmajor</u>	<u>Totals</u>
\$ 2,247,567	\$ 9,709,646
570,132	54,986,932
-	430,364
-	445,559
661,505	14,054,824
9,660,394	75,247,337
1,004,339	2,362,324
19,164,241	19,164,241
<u>\$ 33,308,178</u>	<u>\$ 176,401,227</u>

\$ 4,669,437	\$ 10,892,618
416,230	15,604,461
-	1,116,632
3,359,791	19,164,241
-	142,570
<u>8,445,458</u>	<u>46,920,522</u>
<u>595,748</u>	<u>12,365,875</u>

1,004,339	2,362,324
23,262,633	96,592,503
-	18,160,003
<u>24,266,972</u>	<u>117,114,830</u>
<u>\$ 33,308,178</u>	<u>\$ 176,401,227</u>

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

Total Fund Balances for Governmental Funds		\$ 117,114,830
Total net position reported for governmental activities in the statement of net position is different because:		
Property taxes not collected within 60 days subsequent to fiscal year-end are reported as deferred inflows of resources in the governmental funds.		
		12,365,875
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Governmental Capital Assets	\$ 1,060,965,525	
Less: Accumulated Depreciation	<u>(415,696,864)</u>	645,268,661
Deferred Inflows and Outflows reported on the statement of net position represent the acquisition and consumption of net position applicable to future periods and therefore are not reported in the funds.		
Deferred outflows of resources	66,008,219	
Deferred inflows of resources	<u>(27,930,484)</u>	38,077,735
Internal service funds are used by management to charge the costs of insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		30,595,304
Long-term liabilities that pertain to governmental funds, including bonds payable and capital leases 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	\$ (186,185,000)	
Unamortized Premiums	(19,890,984)	
Capital Leases	(27,130,856)	
Net Pension Liability	(409,821,128)	
Compensated Absences Payable	(12,632,563)	
Net Other Postemployment Liability	<u>468,013</u>	<u>(655,192,518)</u>
Total Net Position of Governmental Activities		<u>\$ 188,229,887</u>

See accompanying Notes to Financial Statements.

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

	<u>General Fund</u>	<u>Special Projects</u>	<u>Debt Service</u>
Revenues			
Property Taxes	\$ 153,170,775	\$ -	\$ 17,387,891
Intergovernmental	152,756,979	51,082,476	-
Tuition	5,756	-	190
Food Service Sales	-	-	-
Charges for Services	2,321,057	-	-
Contributions and Donations	642,937	-	-
Investment Earnings	143,581	11	1,261,720
Miscellaneous	731,178	13	-
Total Revenues	<u>309,772,263</u>	<u>51,082,500</u>	<u>18,649,801</u>
Expenditures			
Current			
Instruction	150,278,549	27,888,368	-
Support Services			
Students	31,673,975	6,807,913	-
Instructional Staff	20,997,319	9,631,932	-
General Administration	4,954,706	-	-
School Administration	19,066,220	116,283	-
Business and Other Support Services	16,100,639	1,288,763	-
Operations and Maintenance of Plant	49,117,517	689,261	-
Student Transportation	21,103,536	750	-
Operation of Noninstructional Services	1,303,867	43,195	-
Debt Service			
Principal Retirement	2,427,774	-	10,520,000
Interest on Long-Term Debt	72,226	-	8,698,610
Issuance Costs	-	-	425,740
Capital Outlay	1,535,384	653,676	-
Total Expenditures	<u>318,631,712</u>	<u>47,120,141</u>	<u>19,644,350</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,859,449)	3,962,359	(994,549)
Other Financing Sources (Uses)			
Transfers In	3,933,711	-	-
Transfers Out	(1,910,181)	(2,933,711)	-
Issuance of Long-Term Debt	-	-	48,520,000
Premium on Issuance of Long-Term Debt	-	-	6,885,717
Proceeds from Capital Lease	-	-	-
Proceeds from Sale of Capital Assets	7,224,196	-	-
Total Other Financing Sources (Uses)	<u>9,247,726</u>	<u>(2,933,711)</u>	<u>55,405,717</u>
Net Change in Fund Balances	388,277	1,028,648	54,411,168
Fund Balances			
Beginning of Year	30,024,719	448,977	6,950,333
Increase (Decrease) in Nonspendable for Inventories	(404,264)	-	-
End of Year	<u>\$ 30,008,732</u>	<u>\$ 1,477,625</u>	<u>\$ 61,361,501</u>

See accompanying Notes to Financial Statements.

<u>Nonmajor</u>	<u>Totals</u>
\$ 6,742,815	\$ 177,301,481
52,021,621	255,861,076
7,311,801	7,317,747
2,638,612	2,638,612
2,424,679	4,745,736
3,018,661	3,661,598
123,947	1,529,259
111,219	842,410
74,393,355	453,897,919
37,374,797	215,541,714
1,106,701	39,588,589
1,735,717	32,364,968
675,571	5,630,277
88,543	19,271,046
1,985,749	19,375,151
1,657,339	51,464,117
4,291,289	25,395,575
24,813,165	26,160,227
4,464,300	17,412,074
1,196,890	9,967,726
-	425,740
5,706,628	7,895,688
85,096,689	470,492,892
(10,703,334)	(16,594,973)
1,910,181	5,843,892
(1,000,000)	(5,843,892)
-	48,520,000
-	6,885,717
3,149,507	3,149,507
-	7,224,196
4,059,688	65,779,420
(6,643,646)	49,184,447
30,391,287	67,815,316
519,331	115,067
\$ 24,266,972	\$ 117,114,830

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

Net Change in Fund Balances-Total Governmental Funds \$ 49,184,447

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. Further, governmental funds report proceeds from the sale of assets for the amount received, however, in the statement of activities, proceeds from sale of assets is net with the loss on disposal of those assets. This is the amount by which depreciation and losses on disposal exceeded capital outlay in the current period.

Expenditure for Capital Assets	\$ 11,417,414	
Net Book Value of Assets Disposed	(6,256,082)	
Depreciation Expense	<u>(25,417,227)</u>	(20,255,895)

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

Principal Payments on Long-Term Debt	10,520,000	
Principal Payments on Capital Leases	6,892,074	
Issuance of Long-Term Debt	(48,520,000)	
Premium on Issuance of Bonds	(6,885,717)	
Amortization of Premium	2,075,837	
Proceeds from Capital Lease	(3,149,507)	
Amortization of Deferred Amount on Refunding	<u>(930,728)</u>	(39,998,041)

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

Property Taxes		636,420
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(Continued)

(Concluded)

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

Pension and OPEB Contributions	\$ 29,786,641	
Pension and OPEB Expense	<u>(10,320,543)</u>	\$ 19,466,098

Internal service funds are used by management to charge the costs of insurance services to individual funds. The changes in net position of the internal service funds is reported with governmental activities in the statement of activities.

(503,744)

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	1,209,266	
Change in Inventory Balances	<u>115,067</u>	<u>1,324,333</u>

Change in Net Position of Governmental Activities

\$ 9,853,618

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash and Investments	\$ 28,030,578
Other Receivable	7,435,247
Total Assets	35,465,825
LIABILITIES	
Current Liabilities	
Claims Payable	993,666
Noncurrent Liabilities	
Claims Payable	3,876,855
Total Liabilities	4,870,521
NET POSITION	
Unrestricted	30,595,304
Total Net Position	\$ 30,595,304

See accompanying Notes to Financial Statements.

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Contributions	\$ 30,117,680
Miscellaneous	1,572,452
Total Operating Revenue	31,690,132
OPERATING EXPENSES	
Claims	26,307,894
Premiums	3,409,155
Administrative Fees	2,321,887
Other	227,630
Total Operating Expenses	32,266,566
Operating Income (Loss)	(576,434)
NONOPERATING REVENUES	
Investment Earnings	72,690
Change in Net Position	(503,744)
Total Net Position - Beginning of Year	31,099,048
TOTAL NET POSITION - END OF YEAR	\$ 30,595,304

See accompanying Notes to Financial Statements.

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 29,898,707
Cash Received from Other Sources	1,572,452
Payments to Suppliers	(2,419,310)
Payments to Employees	(130,207)
Payments for Claims and Premiums	<u>(31,369,776)</u>
Net Cash Used for Operating Activities	<u>(2,448,134)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>72,690</u>
Net Cash Provided by Investing Activities	<u>72,690</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	
	(2,375,444)
Cash and Cash Equivalents at Beginning of the Year	<u>30,406,022</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>\$ 28,030,578</u></u>
 RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (576,434)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Change in Assets/Liabilities:	
Other Receivable	(218,973)
Claims Payable	<u>(1,652,727)</u>
Net Cash Used by Operating Activities	<u><u>\$ (2,448,134)</u></u>

See accompanying Notes to Financial Statements.

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

	<u>Agency</u>
Assets	
Current Assets	
Cash and Investments	<u>\$ 9,928,472</u>
Liabilities	
Current Liabilities	
Due to Student Groups	\$ 1,981,529
Deposits Held for Others	<u>7,946,943</u>
Total Liabilities	<u>\$ 9,928,472</u>

See accompanying Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The more significant of the District's accounting policies are described below:

Reporting Entity

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

The membership of the Governing Board consists of five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance, and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Governing Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. The District is not included in any other governmental reporting entity. The accompanying financial statements present the District's component units, entities for which the District is considered financially accountable. Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The District's major operations include education, student transportation, construction, and maintenance of District facilities, food services, and athletic functions.

Blended Component Unit – The Tucson Unified School District No. 1 Employee Benefit Trust is responsible for providing health insurance for the District employees. The District's Governing Board appoints the Trust's board of directors. The Tucson Unified School District No. 1 Employee Benefit Trust provides services entirely to the District and therefore has been included as an Internal Service Fund in accordance with the criteria established by GASB.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Tucson Unified School District No. 1 Workers' Compensation Trust is responsible for providing workers' compensation insurance to District employees. The District's Governing Board appoints the Trust's board of directors. The Tucson Unified School District No. 1 Workers' Trust provides services entirely to the District and therefore has been included as an internal service fund in accordance with the criteria established by GASB.

Separate financial statements for the Employee Benefit and Workers' Compensation Trusts are not prepared.

Government-Wide and Fund Financial Statements

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 75 days of the end of the current fiscal period, or within 60 days for property tax revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

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

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all resources used to finance District maintenance and operations except those required to be accounted for in other funds. The General Fund includes the District’s Maintenance and Operation Fund as well as certain activities budgeted in separate funds in accordance with A.R.S. These funds are maintained as separate funds for budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

Special Projects Fund – The Special Projects Fund accounts for the revenues and expenditures of state and federally funded grants and projects received by the District.

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

Additionally, the District reports the following fund types:

Proprietary Funds – The Proprietary Funds are Internal Service Funds that account for the activities related to the District’s self-insurance programs for employee benefits and workers’ compensation.

Fiduciary Funds – The Fiduciary Funds are Agency Funds which account for resources held by the District on behalf of others. This fund type includes the Student Activities Fund which accounts for monies raised by students to finance student clubs and organizations held by the District as an agent. In addition, funds that account for employee withholdings before the monies are remitted to the appropriate entities are included in the Agency Funds.

The Proprietary Fund financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting* and are presented in a single column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s internal service fund are contributions to finance the District’s self-insurance programs for employee benefits and workers’ compensation. Operating expenses for the internal service fund includes the cost of the employees’ benefit claims and the workers’ compensation claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

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

A.R.S. requires the District to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash of the Debt Service Fund that may be invested separately. Interest earned from investments purchased with pooled monies is allocated to each of the District's funds based on their average balances. All investments are stated at fair value.

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

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

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

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

Certain resources set aside for future purchases related to capital improvement projects and those resources received from the issuance of bonds for the purpose of refinancing existing bonds are classified as cash and investments – restricted on the statements of net position and balance sheet because their use is limited by bond trust agreements and a capital lease financing agreement. Trust accounts, recorded in the Unrestricted Capital Outlay Fund and Debt Service Fund, are used to segregate the restricted cash.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in investment earnings in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

Property Tax Receivable

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

Intergovernmental Receivables

Intergovernmental receivables account for federal and state grants earned, but not year received at year-end and include federal grants-in-aid (\$12,734,728), state building renewal grants (\$3,863,662), state equalization and other state assistance (\$57,882,139), and other miscellaneous receivables (\$766,808).

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

Short-Term Interfund Receivables/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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventories of the General Fund are valued at cost using the average cost method. Food service inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed in the government-wide financial statements. Inventories are recorded as expenditures when purchased in the fund financial statements.

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

Capital Assets

Capital assets, which include land and improvements; buildings and improvements; vehicles, furniture, and equipment; and construction in progress, are reported in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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

Land Improvements	20 to 25 Years
Buildings and Improvements	15 to 80 Years
Vehicles, Furniture, and Equipment	3 to 25 Years

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

The District recognizes the consumption of net position that is applicable to a future period as deferred outflows of resources. Reported amounts in the government-wide financial statements reflect amounts for the amortization of the accounting loss on refunding of bonds, and changes in the actuarial valuations of the District's pension and OPEB liabilities and contributions made to the plans after the measurement date.

Compensated Absences

The District's employee and sick leave policies generally provide for granting vacation and sick leave with pay. The amount and type of leave earned is based on the employee's bargaining unit classification and agreement. Upon separation from the District, an employee is reimbursed at varying rates and amounts based on employee's bargaining unit classification and agreement. The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

Pension and OPEB

For purposes of measuring the net pension and OPEB assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB income and expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

The District recognizes the acquisition of net position that is applicable to a future period as deferred inflows of resources. Reported amounts in the government-wide financial statements represent changes in the District's pension and OPEB liabilities.

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 financial statements and the government-wide financial statements.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Fund Balance Classifications

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

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

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

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Governing Board through a resolution approved at a board meeting. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same action.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications (Continued)

Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by the formal Governing Board action.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

	General Fund	Special Projects Funds	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 1,357,985	\$ -	\$ -	\$ 1,004,339	\$ 2,362,324
Restricted:					
Voter Approved Initiatives:					
Instructional Purposes	-	-	-	5,224,322	5,224,322
Federal and State Projects	-	1,477,625	-	-	1,477,625
Food Services	-	-	-	900,457	900,457
Capital Projects	10,490,744	-	-	2,631,934	13,122,678
Debt Service	-	-	61,361,501	2,985,008	64,346,509
Noninstructional Services	-	-	-	11,520,912	11,520,912
Total Restricted	<u>10,490,744</u>	<u>1,477,625</u>	<u>61,361,501</u>	<u>23,262,633</u>	<u>96,592,503</u>
Unassigned	18,160,003	-	-	-	18,160,003
Total Fund Balance	<u>\$ 30,008,732</u>	<u>\$ 1,477,625</u>	<u>\$ 61,361,501</u>	<u>\$ 24,266,972</u>	<u>\$ 117,114,830</u>

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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. 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. An annual budget of revenue from all sources is not prepared.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within six subsections (see preceding 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.

Excess Expenditures Over Budget

At fiscal year-end, the District exceeded its budget in the following funds and functions:

Major Governmental Funds		
General Fund		
Regular Education	\$	2,563,467
Dropout Prevention		31,304
Total General Fund		<u>2,594,771</u>
Debt Service Fund		1,327,858
Nonmajor Governmental Funds		
Building Renewal		2,368,610

The exceeding of individual budget functions (in the general fund) and the exceeding of budget in other funds does not constitute a violation of any legal provision. The District had sufficient resources to cover the overages noted.

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits and Investments at June 30, 2018 consisted of the following:

Deposits	
Cash on Hand	\$ 20,000
Cash in Bank	14,415,900
Cash with Trustee	570,132
Investments	
Cash on Deposit with County Treasurer	5,947,485
State Treasurer's Investment Pool	667,955
Employee Benefits Trust Investments	15,459,299
Worker's Compensation Trust Investments	3,561,503
Investments Held with Trustee	<u>62,013,354</u>
Total Deposits and Investments	102,655,628
Less: Restricted Assets	(54,986,932)
Less: Fiduciary Funds	<u>(9,928,472)</u>
Total Cash and Investments	<u><u>\$ 37,740,224</u></u>

Custodial Credit Risk -- Custodial credit risk is the risk that in the event of bank failure the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of the District's deposits was \$14,986,032 and the bank balance was \$16,844,465, which includes \$570,132 held with the trustee. At year-end, all of the District's deposits were insured or covered by collateral held by the pledging financial institution in the District's name.

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the District policy and state statutes, the Town limits its investments to obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, obligations of the State of Arizona (or any political subdivision thereof), the State Treasurer's Local Government Investment Pool, commercial paper of prime quality, or bonds and notes of corporations organized and doing business within the United States of America that are of a high rating. Investments are stated at fair value

Fair Value Measurements. The District uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures.

The District follows accounting principles generally accepted in the United States of America that define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

In accordance with these requirements, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs the inputs used to measure the financial instruments falls within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

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

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The District's investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Investments by Fair Value Level				
Debt Securities				
Corporate Bond Issues	\$ 12,735,423	\$ -	\$ 12,735,423	\$ -
Government Agency Notes	5,180,576	-	5,180,576	-
US Treasury Obligations	62,013,354	-	62,013,354	-
Total Debt Securities	79,929,353	-	79,929,353	-
Total Investments by Fair Value Level	79,929,353	\$ -	\$ 79,929,353	\$ -
External Investments Pools				
Measured at Fair Value				
County Treasurer's Investment Pool	5,947,485			
State Treasurer's Investment Pool	667,955			
Total Investments Measured at Fair Value	6,615,440			
Investments at Amortized Cost				
Commercial Paper	-			
Money Market	1,104,803			
Total Investments at Amortized Cost	1,104,803			
Total Investments	\$ 87,649,596			

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, however, this risk can be reduced through diversification of the duration of fixed-income investments that are held at a given time.

A schedule of the District's investment maturities is as follows:

Investment	Maturity			Total
	Less than 1 Year	1-3 Years	More than 3 Years	
Money Market	\$ 1,104,803	\$ -	\$ -	\$ 1,104,803
Corporate Bonds	5,220,906	7,514,517	-	12,735,423
Government Agency Notes	977,436	4,203,140	-	5,180,576
US Treasury Obligations	8,629,354	53,384,000	-	62,013,354
County Treasurer's Investment Pool	5,947,485	-	-	5,947,485
State Treasurer's Investment Pool	667,955	-	-	667,955
Total	\$ 22,547,939	\$ 65,101,657	\$ -	\$ 87,649,596

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. The District has no investment policy that would further limit its investment choices. As of year-end, the District's investment in the County and State Treasurers' investment pools did not receive a credit quality rating from a national rating agency. The State Treasurer's investment pool 7 had a weighted average rating of AAA at year-end as it was invested in obligations of the U.S. Government or obligations guaranteed by the U.S. Government.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. At year-end, the District did not hold investments in any one issuer that represented 5% or more of the District's total investments.

NOTE 4 RESTRICTED ASSETS

Restricted assets at June 30, 2018 consisted of the following:

	Debt Service Fund	Nonmajor Governmental Funds	Total
Advance Refunding Bond Proceeds	\$ 54,416,800	\$ -	\$ 54,416,800
Unspent Capital Lease Proceeds	-	570,132	570,132
Total	<u>\$ 54,416,800</u>	<u>\$ 570,132</u>	<u>\$ 54,986,932</u>

NOTE 5 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 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 are reported as unavailable revenues. Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Delinquent Property Taxes Receivable	
General Fund	\$ 9,955,154
Debt Service Fund	1,814,973
Nonmajor Governmental Funds	595,748
	<u>\$ 12,365,875</u>

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

NOTE 6 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 14,406,782	\$ 270,191	\$ (46,854)	\$ 14,630,119
Construction in Progress	436,218	7,895,674	(3,682,500)	4,649,392
Total Capital Assets, Not Being Depreciated	14,843,000	8,165,865	(3,729,354)	19,279,511
Capital Assets, Being Depreciated:				
Land Improvements	76,667,530	693,349	(723,587)	76,637,292
Buildings and Improvements	899,389,856	2,514,767	(10,048,078)	891,856,545
Furniture, Equipment, and Vehicles	71,471,725	3,772,787	(2,052,335)	73,192,177
Total Capital Assets, Being Depreciated	1,047,529,111	6,980,903	(12,824,000)	1,041,686,014
Accumulated Depreciation for:				
Land Improvements	(38,380,742)	(2,689,671)	606,899	(40,463,514)
Buildings and Improvements	(310,598,189)	(18,992,216)	4,105,230	(325,485,175)
Furniture, Equipment, and Vehicles	(47,868,624)	(3,735,340)	1,855,789	(49,748,175)
Total Accumulated Depreciation	(396,847,555)	(25,417,227)	6,567,918	(415,696,864)
Total Capital Assets, Being Depreciated, Net	650,681,556	(18,436,324)	(6,256,082)	625,989,150
Governmental Activities Capital Assets, Net	<u>\$ 665,524,556</u>	<u>\$ (10,270,459)</u>	<u>\$ (9,985,436)</u>	<u>\$ 645,268,661</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 21,276,549
Support Services:	
Students	73,214
Instructional Staff	187,476
General Administration	248,214
School Administration	5,340
Business and Other Support Services	1,222,680
Operations and Maintenance of Plant	309,127
Student Transportation	1,953,666
Operation of Noninstructional Services	140,961
Total Depreciation Expense	<u>\$ 25,417,227</u>

At year-end, the District had contractual commitments related to various capital projects as follows:

Project	Governmental Activities	
	Spent-to-Date	Estimated Remaining
Roskrige - Chiller Replacement	\$ 259,932	\$ 41,796
Tucson High - Artificial Turf	332,003	192,562
Sabino High - Roof Replacement - Phase I	981,257	109,029
Sabino High - Roof Replacement - Phase II	1,238,510	246,098
Totals	<u>\$ 2,811,702</u>	<u>\$ 589,485</u>

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

NOTE 7 OBLIGATIONS UNDER LEASES

Capital Leases

The District has acquired building improvements, vehicles, and equipment under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the Unrestricted Capital Outlay Fund, a nonmajor governmental fund, and the Food Service Fund, a nonmajor governmental fund, will be used to pay the capital lease obligations for the vehicles and equipment. Revenue from the General Fund, as well as the federal interest subsidy received to fund the interest payments, are transferred to the Energy and Water Savings Fund, a nonmajor governmental fund, to pay the capital lease obligations on the energy efficiency equipment and building upgrades. Amortization of assets recorded under capital leases is included in depreciation expense.

Assets acquired through capital leases that meet the District's definition of capital assets are as follows:

	Governmental Activities
Asset:	
Buildings and Improvements	\$ 29,466,812
Vehicles and Equipment	5,468,657
Less:	
Accumulated Depreciation	(8,479,122)
Total	\$ 26,456,347

The future minimum lease obligations, and the net present value of these minimum lease payments.

Year Ended June 30,	Governmental Activities
2019	\$ 4,046,676
2020	3,526,243
2021	3,436,552
2022	3,436,552
2023	2,774,158
2024-28	13,870,790
2029	2,774,158
Total Minimum Lease Payments	33,865,129
Less: Amount Representing Interest	(6,734,273)
Present Value of	
Minimum Lease Amounts	\$ 27,130,856

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

NOTE 7 OBLIGATIONS UNDER LEASES (CONTINUED)

Operating Leases

The District leases equipment and a data center under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$1,121,846 for the current fiscal year. The operating leases have remaining noncancelable lease terms from one to three years and provide renewal options.

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>
2019	\$ 146,821
2020	22,108
2021	22,108
2022	22,108
Total Minimum Lease Payments	<u>\$ 213,145</u>

NOTE 8 GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at year-end, consisted of the following outstanding general obligation bonds. The bonds are both callable and noncallable with interest payable semiannually. Property taxes from the Debt Service Fund, a nonmajor governmental fund, are used to pay the bonded debt.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates (%)</u>	<u>Maturity Dates</u>	<u>Amount Outstanding</u>
Governmental Activities:				
School Improvement Bonds, Series 2010	\$ 67,230,000	4.00-5.00%	7/1/19-30	\$ 59,935,000
Refunding Bonds, Series 2010	45,725,000	4.62-6.312%	7/1/19-22	240,000
Refunding Bonds, Series 2011 (Nontaxable)	28,115,000	4.00-5.00%	7/1/19-24	16,780,000
Refunding Bonds, Series 2016	63,000,000	4.00-5.00%	7/1/19-27	60,710,000
Refunding Bonds, Series 2017 (2020 Crossover)	48,520,000	3.00-5.00%	7/1/19-30	<u>48,520,000</u>
Total				<u>\$ 186,185,000</u>

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

NOTE 8 GENERAL OBLIGATION BONDS PAYABLE (CONTINUED)

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 10,850,000	\$ 9,334,853
2020	11,240,000	8,842,758
2021	15,620,000	8,324,335
2022	16,655,000	7,539,044
2023	17,555,000	6,666,688
2024-2028	89,995,000	18,894,800
2029-2030	24,270,000	1,741,334
Totals	<u>\$ 186,185,000</u>	<u>\$ 61,343,812</u>

On December 28, 2017, the District issued \$48.5 million in general obligation refunding bonds. Proceeds of the bonds will advance refund \$52.0 million of General Obligation Taxable Direct-Pay build America Bonds, 2010 E-2, with bonds maturing 2021-30. The 2017 bonds mature on various dates starting in 2021 to 2030. The advance refunding reduced total debt service payments by nearly \$4.1 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3.4 million.

NOTE 9 CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 148,185,000	\$ 48,520,000	\$ (10,520,000)	\$ 186,185,000	\$ 10,850,000
Premium	15,081,104	6,885,717	(2,075,837)	19,890,984	-
Total Bonds Payable	<u>163,266,104</u>	<u>55,405,717</u>	<u>(12,595,837)</u>	<u>206,075,984</u>	<u>10,850,000</u>
Other Liabilities:					
Capital Lease Obligations	30,873,423	3,149,507	(6,892,074)	27,130,856	2,922,945
Compensated Absences	13,841,829	4,188,502	(5,397,768)	12,632,563	2,587,033
Total Other Liabilities	<u>44,715,252</u>	<u>7,338,009</u>	<u>(12,289,842)</u>	<u>39,763,419</u>	<u>5,509,978</u>
Total Debt	<u>\$ 207,981,356</u>	<u>\$ 62,743,726</u>	<u>\$ (24,885,679)</u>	<u>\$ 245,839,403</u>	<u>\$ 16,359,978</u>

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

NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year-end, interfund balances were as follows:

Due to/from other funds – Due to/from other funds, representing short-term interfund borrowing, consisted of the following at June 30, 2018:

Due To	Due From			Total
	General Fund	Special Projects Fund	Nonmajor Governmental Funds	
Nonmajor Governmental Funds	\$ 6,669,164	\$ 9,135,286	\$ 3,359,791	\$ 19,164,241

All interfund balances are expected to be paid within one year.

Interfund transfers:

Transfer In	Transfer Out			Total
	General Fund	Special Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 2,933,711	\$ 1,000,000	\$ 3,933,711
Nonmajor Governmental Funds	1,910,181	-	-	1,910,181
Total	\$ 1,910,181	\$ 2,933,711	\$ 1,000,000	\$ 5,843,892

Transfers between funds were used (1) to move federal grant funds restricted for indirect costs, and (2) to move utility savings to the Energy and Water Savings Fund for lease payments.

NOTE 11 CONTINGENT LIABILITIES

Compliance

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

Lawsuits

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

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

NOTE 12 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 established an Employee Benefit Trust (an Internal Service Fund) to account for and finance its uninsured risks of loss related to employee health claims. Under this program, the Fund provides coverage for up to a maximum of \$1,000,000 for each claim. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims did not exceed this coverage in the past fiscal year.

The District established the Workers' Compensation Trust (an Internal Service Fund) to account for and finance its uninsured risks of loss related to employee work related accidents. However, effective July 1, 2014, the District joined the Arizona School Alliance for Workers' Compensation, Inc. (Alliance) together with other school districts in the state for risks of loss related to workers' compensation claims. The Alliance is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays quarterly premiums to the Alliance for its employee workers' compensation coverage. The agreement provides that the Alliance will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event. The District will continue to operate the Workers' Compensation Trust for claims that were incurred in prior reporting periods, until all outstanding claims have been settled.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

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

NOTE 12 RISK MANAGEMENT (CONTINUED)

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Workers' Compensation	
	2018	2017	2018	2017
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	\$ 1,910,124	\$ 2,067,365	\$ 4,613,124	\$ 4,129,050
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	<u>27,884,465</u>	<u>26,799,818</u>	<u>(1,576,571)</u>	<u>1,007,410</u>
Total Incurred Claims and Claim Adjustment Expenses	29,794,589	28,867,183	3,036,553	5,136,460
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	(27,641,767)	(26,957,059)	(318,854)	(523,336)
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year	<u>\$ 2,152,822</u>	<u>\$ 1,910,124</u>	<u>\$ 2,717,699</u>	<u>\$ 4,613,124</u>

The District joined the Arizona School Risk Retention Trust, Inc. (ASRRT) for claims in excess of the stated amounts. ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for school districts and community colleges in the State. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts. The District retains the risk of loss for general property claims up to \$100,000 and carries commercial insurance for claims in excess of \$100,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District continued to carry commercial insurance for employee dental, life, and vision insurance and property insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

NOTE 13 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

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

	Before July 1, 2011	On or After July 1, 2011
Years of Service and Age Required to Receive Benefit	Sum of Years and Age Equals 80 10 Years, Age 62 5 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 5 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.

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

NOTE 13 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (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 current fiscal year, active ASRS members were required by statute 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 the District was required by statute to contribute at the actuarially determined rate of 11.50% (10.90% for retirement, 0.44% for 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 in positions that would typically be filled by an employee who contributes to ASRS.

The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$28,232,555, \$1,139,663, and \$414,423, respectively. The contributions were paid 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	\$ 409,821,128
Health Insurance Premium Benefit	(1,416,572)
Long-Term Disability	948,559

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.

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

NOTE 13 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Liability (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 June 30, 2017, and the change from its proportions measured as of June 30, 2016 were:

	Proportion June 30, 2017	Increase (Decrease) from June 30, 2016
Pension	2.63076%	0.0751
Health Insurance Premium Benefit	2.60208	0.0000
Long-term Disability	2.61688	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 5-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	<u>\$ 9,049,786</u>
Health Insurance Premium Benefit	\$ 788,898
Long-Term Disability	481,859
Total OPEB	<u>\$ 1,270,757</u>

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

NOTE 13 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (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	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 12,288,703
Changes of Assumptions or Other Inputs	17,799,473	12,254,387
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,942,233	-
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	8,361,903	1,648,624
Contributions Subsequent to the Measurement Date	28,232,555	-
Total	\$ 57,336,164	\$ 26,191,714
	Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,595,004
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	-	1,733
Contributions Subsequent to the Measurement Date	1,139,663	-
Total	\$ 1,139,663	\$ 1,596,737
	Long-term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	141,893
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	-	140
Contributions Subsequent to the Measurement Date	414,423	-
Total	\$ 414,423	\$ 142,033

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

NOTE 13 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

<u>Year Ending June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2019	\$ (14,104,678)	\$ (399,105)	\$ (35,492)
2020	20,661,736	(399,105)	(35,492)
2021	5,781,945	(399,105)	(35,492)
2022	(9,427,108)	(399,105)	(35,492)
2023	-	(317)	(19)
Thereafter	-	-	(46)

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

NOTE 13 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

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	100 %	

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 Proportionate Share of the Net Pension/OPEB Liability (Asset) 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	\$ 526,012,539	\$ 409,821,128	\$ 312,733,254
Net Insurance Premium Benefit Asset	2,352,517	(1,416,572)	(4,619,657)
Net Long-term Disability Liability	1,134,241	948,559	791,126

Plan Fiduciary Net Position

Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

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

NOTE 14 SUBSEQUENT EVENTS

Tucson Unified School District No. 1 joined Pima County in filing a special action lawsuit against the State of Arizona in Arizona Tax Court. The lawsuit addresses a 2018 law that attempted to shift the tax levy for desegregation from the primary rate into the secondary tax rate. The financial impact resulted in \$8 million in state aid withheld. The pending lawsuit seeks to declare the state aid due to the County for the benefit of the school district and was filed December 24, 2018.

The District has been awarded \$3.5 million for 32 buses to be funded through the VW Environmental Mitigation Trust Fund managed by the State of Arizona as a result of a settlement on a class action lawsuit.

The Bonanza Avenue and 5th Street property sale for \$237k is anticipated to close in February 2019.

Corbett Elementary School sale for \$650k is anticipated to close in June 2019.

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

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

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ -	\$ -	\$ 153,170,775	\$ 153,170,775
Intergovernmental	-	-	149,118,994	149,118,994
Tuition	-	-	5,756	5,756
Investment Earnings (Loss)	-	-	55,057	55,057
Miscellaneous	-	-	423,166	423,166
Total Revenues	-	-	302,773,748	302,773,748
Expenditures				
Regular Education				
Instruction	87,646,547	84,273,353	81,693,358	2,579,995
Support Services				
Students	11,461,726	11,461,726	12,409,800	(948,074)
Instructional Staff	5,081,147	5,081,147	5,399,458	(318,311)
General Administration	3,046,025	3,046,025	2,298,188	747,837
School Administration	17,346,055	17,346,055	18,562,770	(1,216,715)
Central Services	9,259,174	7,957,286	8,808,794	(851,508)
Operations and Maintenance of Plant	47,389,175	44,789,175	46,960,475	(2,171,300)
Operation of Noninstructional Services	474,333	474,333	469,471	4,862
School-Sponsored Cocurricular Activities	382,278	382,278	397,886	(15,608)
School-Sponsored Athletics	2,316,970	2,316,970	2,691,615	(374,645)
Total Regular Education	184,403,430	177,128,348	179,691,815	(2,563,467)
Special Education				
Instruction	34,239,126	36,664,126	36,689,080	(24,954)
Support Services - Students	12,535,506	12,535,506	12,558,948	(23,442)
Support Services - Instructional Staff	2,317,349	2,317,349	2,178,275	139,074
Support Services - School Administration	163,564	163,564	160,267	3,297
Support Services - Business	103,771	103,771	149,944	(46,173)
Operations and Maintenance of Plant	95,491	95,491	81,752	13,739
Total Special Education	49,454,807	51,879,807	51,818,266	61,541
Pupil Transportation	12,356,217	12,356,217	10,218,526	2,137,691
Desegregation	60,593,131	60,320,831	60,320,419	412
Dropout Prevention	754,910	767,410	798,714	(31,304)
K-3 Reading Program	502,844	502,844	29,761	473,083
Total Expenditures	308,065,339	302,955,457	302,877,501	77,956
Excess (Deficiency) of Revenues Over Expenditures	(308,065,339)	(302,955,457)	(103,753)	302,851,704
Other Financing Sources (Uses)				
Transfers In	-	-	32	32
Transfers Out	-	-	(1,910,181)	(1,910,181)
Total Other Financing Sources (Uses)	-	-	(1,910,149)	(1,910,149)
Net Change in Fund Balance	(307,310,429)	(302,188,047)	(2,013,902)	300,941,555
Fund Balance				
Beginning of Year	-	-	10,039,352	10,039,352
Decrease in Nonspendable for Inventories	-	-	(404,264)	(404,264)
End of Year	\$ (307,310,429)	\$ (302,188,047)	\$ 7,621,186	\$ 310,576,643

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

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 51,082,476	\$ 51,082,476
Investment Earnings	-	-	11	11
Miscellaneous	-	-	13	13
Total Revenues	<u>-</u>	<u>-</u>	<u>51,082,500</u>	<u>51,082,500</u>
Expenditures				
Current				
Instruction	43,551,550	39,918,899	27,888,368	12,030,531
Support Services				
Students	10,631,499	9,744,722	6,807,913	2,936,809
Instructional Staff	15,041,596	13,786,971	9,631,932	4,155,039
School Administration	181,592	166,445	116,283	50,162
Business and Other Support Services	2,012,582	1,844,712	1,288,763	555,949
Operations and Maintenance of Plant	1,076,377	986,596	689,261	297,335
Student Transportation	1,171	1,074	750	324
Operation of Noninstructional Services	67,455	61,829	43,195	18,634
Facilities Acquisition	1,020,806	935,660	653,676	281,984
Total Expenditures	<u>73,584,627</u>	<u>67,446,907</u>	<u>47,120,141</u>	<u>20,326,766</u>
Excess (Deficiency) of Revenues Over Expenditures	(73,584,627)	(67,446,907)	3,962,359	71,409,266
Other Financing Sources (Uses)				
Transfers Out	<u>-</u>	<u>-</u>	<u>(2,933,711)</u>	<u>(2,933,711)</u>
Net Change in Fund Balance	(73,584,627)	(67,446,907)	1,028,648	68,475,555
Fund Balance				
Beginning of Year	<u>-</u>	<u>-</u>	<u>448,977</u>	<u>448,977</u>
End of Year	<u>\$ (73,584,627)</u>	<u>\$ (67,446,907)</u>	<u>\$ 1,477,625</u>	<u>\$ 68,924,532</u>

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

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
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	2.63076%	2.55567%	2.57435%	2.62166%	2.93952%
District's Proportionate Share of the Net Pension Liability	\$ 409,821,128	\$ 412,510,812	\$ 400,992,229	\$ 387,916,386	\$ 488,674,938
District's Covered Payroll	\$ 255,428,219	\$ 233,458,184	\$ 230,508,476	\$ 225,906,271	N/A
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	160.44%	176.70%	173.96%	171.72%	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)	2.60208%	2.60208%			
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,416,572)	\$ 752,406			
District's Covered Payroll	\$ 255,428,219	\$ 233,458,184			
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-0.55%	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)	2.61688%	2.61688%			
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 948,559	\$ 940,411			
District's Covered Payroll	\$ 255,428,219	\$ 233,458,184			
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.37%	0.40%			
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.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
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	\$ 28,232,555	\$ 27,661,624	\$ 25,963,519	\$ 25,821,534	\$ 25,286,682
Contributions in Relation to the Statutorily Required Contribution	<u>28,232,555</u>	<u>27,661,624</u>	<u>25,963,519</u>	<u>25,821,534</u>	<u>25,286,682</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
District's Covered Payroll	\$ 257,123,313	\$ 255,428,219	\$ 233,458,184	\$ 230,508,476	\$ 225,906,271
Contributions as a Percentage of Covered Payroll	10.98%	10.83%	11.12%	11.20%	11.19%
ASRS - Health Insurance Premium Benefit	<u>2018</u>	<u>2017</u>			
Statutorily Required Contribution	\$ 1,139,663	\$ 1,400,798			
Contributions in Relation to the Statutorily Required Contribution	<u>1,139,663</u>	<u>1,400,798</u>			
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>			
District's Covered Payroll	\$ 257,123,313	\$ 255,428,219			
Contributions as a Percentage of Covered Payroll	0.44%	0.55%			
ASRS - Long-term Disability	<u>2018</u>	<u>2017</u>			
Statutorily Required Contribution	\$ 414,423	\$ 355,901			
Contributions in Relation to the Statutorily Required Contribution	<u>414,423</u>	<u>355,901</u>			
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>			
District's Covered Payroll	\$ 257,123,313	\$ 255,428,219			
Contributions as a Percentage of Covered Payroll	0.16%	0.14%			

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

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2018

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

The General Fund budgetary comparison schedule is prepared on the budgetary basis of accounting. 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.

Consequently, the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statements 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	\$ 309,772,263	\$ 318,631,712	\$ 9,247,726	\$ 30,024,719	\$ 30,008,732
Non Maintenance and Operation Activity Included in General Fund	<u>(6,998,515)</u>	<u>(15,754,211)</u>	<u>(11,157,875)</u>	<u>(19,985,367)</u>	<u>(22,387,546)</u>
Budgetary Comparison Schedule - General Fund	<u>\$ 302,773,748</u>	<u>\$ 302,877,501</u>	<u>\$ (1,910,149)</u>	<u>\$ 10,039,352</u>	<u>\$ 7,621,186</u>

NOTE 2 COST SHARING PLANS

Information prior to the measurement date June 30, 2013 was not available for the pension information. 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*, adopted fiscal year ended June 30, 2018, 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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Classroom Site – to account for the revenues and expenditures of State apportioned education sales tax monies.

Instructional Improvement – accounts for the revenues and expenditures for State apportioned Indian Gaming monies.

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

Other Special Revenue Fund – accounts for the revenues and expenditures of the following activities or objectives: civic center, community school, extracurricular activity fee tax credit, insurance refunds, litigation recovery, and textbooks.

CAPITAL PROJECTS FUNDS

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

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

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

DEBT SERVICE FUNDS

Energy and Water Savings – to account for accumulation of funds for repayment of outstanding debt issue to fund energy and water savings projects completed by the District.

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue				
	Classroom Site	Instructional Improvement	Food Service	Other Special Revenue	Total Special Revenue Funds
ASSETS					
Cash and Investments	\$ 803,216	\$ -	\$ 678,382	\$ -	\$ 1,481,598
Restricted Assets	-	-	-	-	-
Property Taxes	-	-	-	-	-
Intergovernmental	1,770,692	862,179	431,743	367,771	3,432,385
Inventories	-	-	1,004,339	-	1,004,339
Due from Other Funds	2,642,296	-	-	12,664,450	15,306,746
Total Assets	<u>\$ 5,216,204</u>	<u>\$ 862,179</u>	<u>\$ 2,114,464</u>	<u>\$ 13,032,221</u>	<u>\$ 21,225,068</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 3,134	\$ -	\$ 43,345	\$ 1,278,274	\$ 1,324,753
Accrued Wages and Benefits	16,867	-	166,323	233,035	416,225
Due to Other Funds	-	834,060	-	-	834,060
Total Liabilities	<u>20,001</u>	<u>834,060</u>	<u>209,668</u>	<u>1,511,309</u>	<u>2,575,038</u>
Deferred Inflows of Resources					
Unavailable Revenue	-	-	-	-	-
Fund Balances					
Nonspendable	-	-	1,004,339	-	1,004,339
Restricted	5,196,203	28,119	900,457	11,520,912	17,645,691
Total Fund Balances	<u>5,196,203</u>	<u>28,119</u>	<u>1,904,796</u>	<u>11,520,912</u>	<u>18,650,030</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,216,204</u>	<u>\$ 862,179</u>	<u>\$ 2,114,464</u>	<u>\$ 13,032,221</u>	<u>\$ 21,225,068</u>

Capital Projects			Debt Service		Total Nonmajor Governmental Funds
Unrestricted Capital Outlay	Adjacent Ways	Building Renewal	Total Capital Projects Funds	Energy & Water Savings	
\$ -	\$ 765,969	\$ -	\$ 765,969	\$ -	\$ 2,247,567
570,132	-	-	570,132	-	570,132
661,505	-	-	661,505	-	661,505
2,364,347	-	3,863,662	6,228,009	-	9,660,394
-	-	-	-	-	1,004,339
861,717	-	-	861,717	2,995,778	19,164,241
<u>\$ 4,457,701</u>	<u>\$ 765,969</u>	<u>\$ 3,863,662</u>	<u>\$ 9,087,332</u>	<u>\$ 2,995,778</u>	<u>\$ 33,308,178</u>
\$ 1,994,484	\$ 1,499	\$ 1,337,931	\$ 3,333,914	\$ 10,770	\$ 4,669,437
5	-	-	5	-	416,230
-	-	2,525,731	2,525,731	-	3,359,791
<u>1,994,489</u>	<u>1,499</u>	<u>3,863,662</u>	<u>5,859,650</u>	<u>10,770</u>	<u>8,445,458</u>
<u>595,748</u>	<u>-</u>	<u>-</u>	<u>595,748</u>	<u>-</u>	<u>595,748</u>
-	-	-	-	-	1,004,339
1,867,464	764,470	-	2,631,934	2,985,008	23,262,633
<u>1,867,464</u>	<u>764,470</u>	<u>-</u>	<u>2,631,934</u>	<u>2,985,008</u>	<u>24,266,972</u>
<u>\$ 4,457,701</u>	<u>\$ 765,969</u>	<u>\$ 3,863,662</u>	<u>\$ 9,087,332</u>	<u>\$ 2,995,778</u>	<u>\$ 33,308,178</u>

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue				
	Classroom Site	Instructional Improvement	Food Service	Other Special Revenue	Total Special Revenue Funds
Revenues					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	21,248,288	2,003,077	17,115,645	-	40,367,010
Tuition	-	-	-	7,311,421	7,311,421
Food Service Sales	-	-	2,638,612	-	2,638,612
Charges for Services	-	-	-	2,424,679	2,424,679
Contributions and Donations	-	-	-	3,018,661	3,018,661
Investment Earnings	53,615	56	7,092	41,304	102,067
Miscellaneous	-	13	(54)	111,260	111,219
Total Revenues	<u>21,301,903</u>	<u>2,003,146</u>	<u>19,761,295</u>	<u>12,907,325</u>	<u>55,973,669</u>
Expenditures					
Current					
Instruction	26,006,788	2,098,172	-	3,966,832	32,071,792
Support Services					
Students	61,145	-	-	607,587	668,732
Instructional Staff	484,737	-	-	565,253	1,049,990
General Administration	-	-	-	630,835	630,835
School Administration	-	-	-	53,326	53,326
Business and Other Support Services	25	-	14,447	248,273	262,745
Operations and Maintenance of Plant	-	-	-	772,856	772,856
Student Transportation	-	-	-	1,128,637	1,128,637
Operation of Noninstructional Services	-	-	19,912,880	4,900,285	24,813,165
Debt Service					
Principal Retirement	-	-	109,001	-	109,001
Interest on Long-Term Debt	-	-	10,588	-	10,588
Capital Outlay					
Facilities Acquisition	-	-	-	1,138,514	1,138,514
Total Expenditures	<u>26,552,695</u>	<u>2,098,172</u>	<u>20,046,916</u>	<u>14,012,398</u>	<u>62,710,181</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,250,792)	(95,026)	(285,621)	(1,105,073)	(6,736,512)
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	(1,000,000)	-	(1,000,000)
Proceeds from Capital Lease	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
Net Change in Fund Balances	(5,250,792)	(95,026)	(1,285,621)	(1,105,073)	(7,736,512)
Fund Balances					
Beginning of Year	10,446,995	123,145	2,671,086	12,625,985	25,867,211
Increase in Nonspendable for Inventories	-	-	519,331	-	519,331
End of Year	<u>\$ 5,196,203</u>	<u>\$ 28,119</u>	<u>\$ 1,904,796</u>	<u>\$ 11,520,912</u>	<u>\$ 18,650,030</u>

Capital Projects			Debt Service		Total Nonmajor Governmental Funds
Unrestricted Capital Outlay	Adjacent Ways	Building Renewal	Total Capital Projects Funds	Energy & Water Savings	
\$ 6,742,733	\$ 82	\$ -	\$ 6,742,815	\$ -	\$ 6,742,815
6,583,454	-	3,936,577	10,520,031	1,134,580	52,021,621
380	-	-	380	-	7,311,801
-	-	-	-	-	2,638,612
-	-	-	-	-	2,424,679
-	-	-	-	-	3,018,661
295	5,190	-	5,485	16,395	123,947
-	-	-	-	-	111,219
<u>13,326,862</u>	<u>5,272</u>	<u>3,936,577</u>	<u>17,268,711</u>	<u>1,150,975</u>	<u>74,393,355</u>
5,303,005	-	-	5,303,005	-	37,374,797
437,969	-	-	437,969	-	1,106,701
685,727	-	-	685,727	-	1,735,717
44,736	-	-	44,736	-	675,571
35,217	-	-	35,217	-	88,543
1,723,004	-	-	1,723,004	-	1,985,749
658,168	43,081	116,846	818,095	66,388	1,657,339
3,162,652	-	-	3,162,652	-	4,291,289
-	-	-	-	-	24,813,165
2,694,875	-	-	2,694,875	1,660,424	4,464,300
72,567	-	-	72,567	1,113,735	1,196,890
<u>768,235</u>	<u>63,242</u>	<u>3,651,764</u>	<u>4,483,241</u>	<u>84,873</u>	<u>5,706,628</u>
<u>15,586,155</u>	<u>106,323</u>	<u>3,768,610</u>	<u>19,461,088</u>	<u>2,925,420</u>	<u>85,096,689</u>
(2,259,293)	(101,051)	167,967	(2,192,377)	(1,774,445)	(10,703,334)
-	-	-	-	1,910,181	1,910,181
-	-	-	-	-	(1,000,000)
<u>3,149,507</u>	<u>-</u>	<u>-</u>	<u>3,149,507</u>	<u>-</u>	<u>3,149,507</u>
<u>3,149,507</u>	<u>-</u>	<u>-</u>	<u>3,149,507</u>	<u>1,910,181</u>	<u>4,059,688</u>
890,214	(101,051)	167,967	957,130	135,736	(6,643,646)
977,250	865,521	(167,967)	1,674,804	2,849,272	30,391,287
-	-	-	-	-	519,331
<u>\$ 1,867,464</u>	<u>\$ 764,470</u>	<u>\$ -</u>	<u>\$ 2,631,934</u>	<u>\$ 2,985,008</u>	<u>\$ 24,266,972</u>

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final Budget		
Revenues				
Property Taxes	\$ -	\$ -	\$ 17,387,891	\$ 17,387,891
Tuition	-	-	190	190
Investment Earnings	-	-	1,261,720	1,261,720
Total Revenues	-	-	18,649,801	18,649,801
Expenditures				
Debt Service				
Principal Retirement	9,701,797	9,808,902	10,520,000	(711,098)
Interest on Long-Term Debt	8,022,067	8,110,628	8,698,610	(587,982)
Issuance Costs	392,628	396,962	425,740	(28,778)
Total Expenditures	18,116,492	18,316,492	19,644,350	(1,327,858)
Excess (Deficiency) of Revenues Over Expenditures	(18,116,492)	(18,316,492)	(994,549)	17,321,943
Other Financing Sources (Uses)				
Issuance of Long-term Debt	-	-	48,520,000	48,520,000
Premium on Issuance of Long-Term Debt	-	-	6,885,717	6,885,717
Total Other Financing Sources (Uses)	-	-	55,405,717	55,405,717
Net Change in Fund Balance	(18,116,492)	(18,316,492)	54,411,168	72,727,660
Fund Balance				
Beginning of Year	-	-	6,950,333	6,950,333
End of Year	\$ (18,116,492)	\$ (18,316,492)	\$ 61,361,501	\$ 79,677,993

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CLASSROOM SITE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 21,248,288	\$ 21,248,288
Investment Earnings	-	-	53,615	53,615
Total Revenues	<u>-</u>	<u>-</u>	<u>21,301,903</u>	<u>21,301,903</u>
Expenditures				
Current				
Instruction	28,137,560	30,951,704	26,006,788	4,944,916
Support Services				
Students	66,155	72,771	61,145	11,626
Instructional Staff	524,452	576,905	484,737	92,168
Business and Other Support Services	27	30	25	5
Total Expenditures	<u>28,728,194</u>	<u>31,601,409</u>	<u>26,552,695</u>	<u>5,048,714</u>
Excess (Deficiency) of Revenues Over Expenditures	(28,728,194)	(31,601,409)	(5,250,792)	26,350,617
Fund Balance				
Beginning of Year	-	-	10,446,995	10,446,995
End of Year	<u>\$ (28,728,194)</u>	<u>\$ (31,601,409)</u>	<u>\$ 5,196,203</u>	<u>\$ 36,797,612</u>

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
INSTRUCTIONAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ -	\$ 2,003,077	\$ 2,003,077
Investment Earnings	-	56	56
Miscellaneous	-	13	13
Total Revenues	-	2,003,146	2,003,146
Expenditures			
Current			
Instruction	2,500,000	2,098,172	401,828
Excess (Deficiency) of Revenues Over Expenditures	(2,500,000)	(95,026)	2,404,974
Fund Balance			
Beginning of Year	-	123,145	123,145
End of Year	\$ (2,500,000)	\$ 28,119	\$ 2,528,119

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 17,115,645	\$ 17,115,645
Food Service Sales	-	-	2,638,612	2,638,612
Investment Earnings	-	-	7,092	7,092
Miscellaneous	-	-	(54)	(54)
Total Revenues	-	-	19,761,295	19,761,295
Expenditures				
Current				
Support Services				
Business and Other Support Services	16,045	14,790	14,447	343
Operation of Noninstructional Services	22,115,657	20,385,304	19,912,880	472,424
Debt Service				
Principal Retirement	121,059	111,587	109,001	2,586
Interest on Long-term Debt	11,759	10,839	10,588	251
Total Expenditures	22,264,520	20,522,520	20,046,916	475,604
Excess (Deficiency) of Revenues Over Expenditures	(22,264,520)	(20,522,520)	(285,621)	20,236,899
Other Financing Sources (Uses)				
Transfers Out	-	-	(1,000,000)	(1,000,000)
Net Change in Fund Balance	(22,264,520)	(20,522,520)	(1,285,621)	19,236,899
Fund Balance				
Beginning of Year	-	-	2,671,086	2,671,086
Increase in Nonspendable for Inventories	-	-	519,331	519,331
End of Year	\$ (22,264,520)	\$ (20,522,520)	\$ 1,904,796	\$ 22,427,316

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Tuition	\$ -	\$ -	\$ 7,311,421	\$ 7,311,421
Contributions and Donations	-	-	3,018,661	3,018,661
Charges for Services	-	-	2,424,679	2,424,679
Investment Earnings	-	-	41,304	41,304
Miscellaneous	-	-	111,260	111,260
Total Revenues	-	-	12,907,325	12,907,325
Expenditures				
Current				
Instruction	9,094,004	10,301,685	3,966,832	6,334,853
Support Services				
Students	1,392,900	1,577,876	607,587	970,289
Instructional Staff	1,295,848	1,467,937	565,253	902,684
General Administration	1,446,196	1,638,250	630,835	1,007,415
School Administration	122,250	138,485	53,326	85,159
Business and Other Support Services	569,168	644,754	248,273	396,481
Operations and Maintenance of Plant	1,771,781	2,007,072	772,856	1,234,216
Student Transportation	2,587,412	2,931,020	1,128,637	1,802,383
Operation of Noninstructional Services	11,233,955	12,725,821	4,900,285	7,825,536
Facilities Acquisition	2,610,055	2,956,670	1,138,514	1,818,156
Total Expenditures	32,123,571	36,389,571	14,012,398	22,377,173
Excess (Deficiency) of Revenues Over Expenditures	(32,123,571)	(36,389,571)	(1,105,073)	35,284,498
Fund Balance				
Beginning of Year	-	-	12,625,985	12,625,985
End of Year	\$ (32,123,571)	\$ (36,389,571)	\$ 11,520,912	\$ 47,910,483

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
UNRESTRICTED CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ -	\$ -	\$ 6,742,733	\$ 6,742,733
Intergovernmental	-	-	6,583,454	6,583,454
Tuition	-	-	380	380
Investment Earnings	-	-	295	295
Total Revenue	-	-	13,326,862	13,326,862
Expenditures				
Current				
Instruction	6,266,990	5,340,127	5,303,005	37,122
Support Services				
Students	517,583	441,035	437,969	3,066
Instructional Staff	810,379	690,527	685,727	4,800
General Administration	52,868	45,049	44,736	313
School Administration	41,619	35,464	35,217	247
Business and Other Support Services	2,036,213	1,735,065	1,723,004	12,061
Operations and Maintenance of Plant	777,810	662,775	658,168	4,607
Student Transportation	15,535	13,237	13,145	92
Debt Service				
Principal Retirement	3,184,752	2,713,739	2,694,875	18,864
Interest on Long-term Debt	85,758	73,075	72,567	508
Facilities Acquisition	907,885	773,613	768,235	5,378
Total Expenditures	14,697,393	12,523,706	12,436,648	87,058
Excess (Deficiency) of Revenues Over Expenditures	(14,697,393)	(12,523,706)	890,214	13,413,920
Fund Balance				
Beginning of Year	-	-	977,250	977,250
End of Year	\$ (14,697,393)	\$ (12,523,706)	\$ 1,867,464	\$ 14,391,170

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ADJACENT WAYS FUND
YEAR ENDED JUNE 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property Taxes	\$ -	\$ 82	\$ 82
Investment Earnings	-	5,190	5,190
Total Revenues	<u>-</u>	<u>5,272</u>	<u>5,272</u>
Expenditures			
Current			
Support Services			
Operations and Maintenance of Plant	405,190	43,081	362,109
Facilities Acquisition	594,810	63,242	531,568
Total Expenditures	<u>1,000,000</u>	<u>106,323</u>	<u>893,677</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,000,000)	(101,051)	898,949
Fund Balance			
Beginning of Year	-	865,521	865,521
End of Year	<u>\$ (1,000,000)</u>	<u>\$ 764,470</u>	<u>\$ 1,764,470</u>

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING RENEWAL GRANT FUND
YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ -	\$ 3,936,577	\$ 3,936,577
Expenditures			
Current			
Support Services:			
Operations and Maintenance of Plant	43,407	116,846	(73,439)
Facilities Acquisition	1,356,593	3,651,764	(2,295,171)
Total Expenditures	1,400,000	3,768,610	(2,368,610)
Excess (Deficiency) of Revenues Over Expenditures	(1,400,000)	167,967	1,567,967
Fund Balance			
Beginning of Year	-	(167,967)	(167,967)
End of Year	\$ (1,400,000)	\$ -	\$ 1,400,000

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ENERGY & WATER SAVINGS FUND
YEAR ENDED JUNE 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenues			
Intergovernmental	\$ -	\$ 1,134,580	\$ 1,134,580
Investment Earnings	-	16,395	16,395
Total Revenue	<u>-</u>	<u>1,150,975</u>	<u>1,150,975</u>
Expenditures			
Current			
Support Services			
Operations and Maintenance of Plant	113,467	66,388	47,079
Debt Service			
Principal Retirement	2,837,924	1,660,424	1,177,500
Interest on Long-term Debt	1,903,547	1,113,735	789,812
Facilities Acquisition	145,061	84,873	60,188
Total Expenditures	<u>5,000,000</u>	<u>2,925,420</u>	<u>2,074,580</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,000,000)	(1,774,445)	3,225,555
Other Financing Sources (Uses)			
Transfers In	<u>-</u>	<u>1,910,181</u>	<u>1,910,181</u>
Net Change in Fund Balance	(5,000,000)	135,736	5,135,736
Fund Balance			
Beginning of Year	-	2,849,272	2,849,272
End of Year	<u>\$ (5,000,000)</u>	<u>\$ 2,985,008</u>	<u>\$ 7,985,008</u>

INTERNAL SERVICE FUNDS

Employee Benefit Trust – to account for the financial activity associated with the District's self-insurance program.

Workers' Compensation Trust – to account for the financial activity associated with the District's self-insurance program for employee workers' compensation.

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2018**

	Employee Benefit Trust	Workers' Compensation Trust	Totals
ASSETS			
Current Assets:			
Cash and Investments	\$ 22,443,552	\$ 5,587,026	\$ 28,030,578
Other Receivable	7,398,224	37,023	7,435,247
Total Assets	29,841,776	5,624,049	35,465,825
LIABILITIES			
Current Liabilities			
Claims Payable	643,666	350,000	993,666
Noncurrent Liabilities			
Claims Payable	1,509,156	2,367,699	3,876,855
Total Liabilities	2,152,822	2,717,699	4,870,521
NET POSITION			
Unrestricted	27,688,954	2,906,350	30,595,304
Total Net Position	\$ 27,688,954	\$ 2,906,350	\$ 30,595,304

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2018

	Employee Benefit Trust	Workers' Compensation Trust	Totals
OPERATING REVENUES			
Contributions	\$ 28,138,090	\$ 1,979,590	\$ 30,117,680
Miscellaneous	1,572,452	-	1,572,452
Total Operating Revenue	<u>29,710,542</u>	<u>1,979,590</u>	<u>31,690,132</u>
OPERATING EXPENSES			
Claims	27,884,465	(1,576,571)	26,307,894
Premiums	647,399	2,761,756	3,409,155
Administrative Fees	2,247,372	74,515	2,321,887
Other	219,521	8,109	227,630
Total Operating Expenses	<u>30,998,757</u>	<u>1,267,809</u>	<u>32,266,566</u>
Operating Income (Loss)	(1,288,215)	711,781	(576,434)
NONOPERATING REVENUES			
Investment Earnings	4,641	68,049	72,690
Change in Net Position	<u>(1,283,574)</u>	<u>779,830</u>	<u>(503,744)</u>
Total Net Position - Beginning of Year	<u>28,972,528</u>	<u>2,126,520</u>	<u>31,099,048</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 27,688,954</u></u>	<u><u>\$ 2,906,350</u></u>	<u><u>\$ 30,595,304</u></u>

**TUCSON UNIFIED SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2018**

	Employee Benefit Trust	Workers' Compensation Trust	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 27,672,850	\$ 2,225,857	\$ 29,898,707
Cash Received from Other Sources	1,572,452	-	1,572,452
Payments to Suppliers	(2,394,124)	(25,186)	(2,419,310)
Payments to Employees	(72,769)	(57,438)	(130,207)
Payments for Claims and Premiums	(28,289,166)	(3,080,610)	(31,369,776)
Net Cash Used for Operating Activities	<u>(1,510,757)</u>	<u>(937,377)</u>	<u>(2,448,134)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	4,641	68,049	72,690
Net Cash Provided by Investing Activities	<u>4,641</u>	<u>68,049</u>	<u>72,690</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,506,116)	(869,328)	(2,375,444)
Cash and Cash Equivalents - Beginning of the Year	23,949,668	6,456,354	30,406,022
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 22,443,552</u>	<u>\$ 5,587,026</u>	<u>\$ 28,030,578</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (1,288,215)	\$ 711,781	\$ (576,434)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities			
Change in Assets/Liabilities:			
Other Receivable	(465,240)	246,267	(218,973)
Claims Payable	242,698	(1,895,425)	(1,652,727)
Net Cash Used by Operating Activities	<u>\$ (1,510,757)</u>	<u>\$ (937,377)</u>	<u>\$ (2,448,134)</u>

AGENCY FUNDS

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

Employee Insurance – to account for unremitted insurance deductions held by the District as an agent.

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

	<u>Student Activities</u>	<u>Employee Insurance Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Investments	\$ 1,981,529	\$ 7,946,943	\$ 9,928,472
	<u>\$ 1,981,529</u>	<u>\$ 7,946,943</u>	<u>\$ 9,928,472</u>
Liabilities			
Due to Student Groups	\$ 1,981,529	\$ -	\$ 1,981,529
Deposits Held for Others	-	7,946,943	7,946,943
Total Liabilities	\$ 1,981,529	\$ 7,946,943	\$ 9,928,472
	<u>\$ 1,981,529</u>	<u>\$ 7,946,943</u>	<u>\$ 9,928,472</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Student Activities Fund				
Assets				
Cash and Investments	<u>\$ 2,245,979</u>	<u>\$ 1,449,591</u>	<u>\$ (1,714,041)</u>	<u>\$ 1,981,529</u>
Liabilities				
Due to Student Groups	<u>\$ 2,245,979</u>	<u>\$ 1,449,591</u>	<u>\$ (1,714,041)</u>	<u>\$ 1,981,529</u>
Employee Insurance Fund				
Assets				
Cash and Investments	<u>\$ 13,799,585</u>	<u>\$ 744,366</u>	<u>\$ (6,597,008)</u>	<u>\$ 7,946,943</u>
Total Assets	<u>\$ 13,799,585</u>	<u>\$ 744,366</u>	<u>\$ (6,597,008)</u>	<u>\$ 7,946,943</u>
Liabilities				
Deposits Held for Others	<u>\$ 13,799,585</u>	<u>\$ 744,366</u>	<u>\$ (6,597,008)</u>	<u>\$ 7,946,943</u>
Total Agency Funds				
Assets				
Cash and Investments	<u>\$ 16,045,564</u>	<u>\$ 2,193,957</u>	<u>\$ (8,311,049)</u>	<u>\$ 9,928,472</u>
Liabilities				
Due to Student Groups	<u>\$ 2,245,979</u>	<u>\$ 1,449,591</u>	<u>\$ (1,714,041)</u>	<u>\$ 1,981,529</u>
Deposits Held for Others	<u>13,799,585</u>	<u>744,366</u>	<u>(6,597,008)</u>	<u>7,946,943</u>
Total Liabilities	<u>\$ 16,045,564</u>	<u>\$ 2,193,957</u>	<u>\$ (8,311,049)</u>	<u>\$ 9,928,472</u>

Statistical Section



Tucson Unified is where
Students love to **L**earn
Teachers love to **T**each
and People love **o** to Work
We are **e** Team TUSD



STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Note: For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to 5% in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value, and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

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

	Fiscal Year Ended June 30				
	2018	2017	2016	2015	2014
NET POSITION					
Net Investment in Capital Assets	\$ 474,298,602	\$ 480,205,341	\$ 485,420,031	\$ 483,557,940	\$ 478,823,950
Restricted	46,305,323	39,771,519	47,868,859	51,883,159	36,973,962
Unrestricted	<u>(332,374,038)</u>	<u>(341,600,591)</u>	<u>(369,873,406)</u>	<u>(401,875,725)</u>	<u>57,072,295</u>
Total Net Position	<u>\$ 188,229,887</u>	<u>\$ 178,376,269</u>	<u>\$ 163,415,484</u>	<u>\$ 133,565,374</u>	<u>\$ 572,870,207</u>
	2013	2012	2011	2010	2009
NET POSITION					
Net Investment in Capital Assets	\$ 478,208,141	\$ 453,090,065	\$ 434,745,660	\$ 408,491,273	\$ 395,715,727
Restricted	38,076,040	50,858,186	65,412,105	17,714,726	28,815,960
Unrestricted	<u>39,993,726</u>	<u>48,723,218</u>	<u>44,383,800</u>	<u>63,439,513</u>	<u>19,851,658</u>
Total Net Position	<u>\$ 556,277,907</u>	<u>\$ 552,671,469</u>	<u>\$ 544,541,565</u>	<u>\$ 489,645,512</u>	<u>\$ 444,383,345</u>

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

Note: The reduction in net position during fiscal year 2014-15 is due to the implementation of the pension standards.

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE) REVENUE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year Ended June 30				
	2018	2017	2016	2015	2014
EXPENSES					
Instruction	\$ 225,916,641	\$ 219,854,828	\$ 206,973,703	\$ 203,639,013	\$ 213,899,377
Support Services - Students and Staff	68,096,204	61,436,186	60,250,541	58,847,288	64,945,835
Support Services - Administration	43,684,486	44,826,243	41,637,711	42,670,490	42,732,507
Operation and Maintenance of Plant Services	50,176,140	49,036,681	49,688,066	51,097,685	49,866,704
Student Transportation Services	23,294,896	23,769,388	24,277,391	24,594,918	25,895,104
Operation of Noninstructional Services	25,053,753	25,771,350	24,028,856	24,786,616	22,647,923
Interest on Long-Term Debt	9,248,357	8,400,732	10,932,855	11,501,715	11,640,250
Total Expenses	<u>445,470,477</u>	<u>433,095,408</u>	<u>417,789,123</u>	<u>417,137,725</u>	<u>431,627,700</u>
PROGRAM REVENUES					
Charges for Services:					
Instruction	7,807,589	8,329,005	8,055,467	7,212,949	5,875,912
Operation of Noninstructional Services	4,080,884	4,314,144	2,776,552	3,436,318	3,395,327
Other Activities	2,813,622	1,251,279	1,129,835	1,342,188	1,023,287
Operating Grants and Contributions	96,245,664	67,852,542	64,212,609	62,655,672	64,756,379
Capital Grants and Contributions	3,936,577	4,434,548	2,441,185	4,430,655	6,645,889
Total Program Revenues	<u>114,884,336</u>	<u>86,181,518</u>	<u>78,615,648</u>	<u>79,077,782</u>	<u>81,696,794</u>
NET (EXPENSE) REVENUE	<u>\$ (330,586,141)</u>	<u>\$ (346,913,890)</u>	<u>\$ (339,173,475)</u>	<u>\$ (338,059,943)</u>	<u>\$ (349,930,906)</u>

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

	Fiscal Year Ended June 30				
	2013	2012	2011	2010	2009
EXPENSES					
Instruction	\$ 224,302,136	\$ 237,543,995	\$ 232,454,534	\$ 249,555,054	\$ 274,064,584
Support Services - Students and Staff	69,035,667	72,454,063	70,371,615	68,096,321	73,312,642
Support Services - Administration	44,610,584	43,723,616	42,737,361	40,736,506	42,115,765
Operation and Maintenance of Plant Services	55,716,491	56,498,727	56,053,302	55,307,716	57,068,774
Student Transportation Services	26,338,473	26,634,890	23,345,392	24,061,246	23,266,202
Operation of Noninstructional Services	21,534,017	21,981,761	18,430,745	18,992,991	19,192,468
Interest on Long-Term Debt	13,064,629	13,936,906	15,517,905	14,045,722	14,868,122
Total Expenses	<u>454,601,997</u>	<u>472,773,958</u>	<u>458,910,854</u>	<u>470,795,556</u>	<u>503,888,557</u>
PROGRAM REVENUES					
Charges for Services:					
Instruction	5,706,176	6,384,061	3,293,113	12,652,780	8,452,639
Operation of Noninstructional Services	3,110,765	2,739,728	3,204,525	3,640,047	4,222,326
Other Activities	604,562	696,167	668,536	897,087	915,321
Operating Grants and Contributions	70,030,026	83,827,648	87,020,303	77,282,861	66,930,683
Capital Grants and Contributions	3,735,347	4,669,887	3,347,591	5,455,281	1,675,625
Total Program Revenues	<u>83,186,876</u>	<u>98,317,491</u>	<u>97,534,068</u>	<u>99,928,056</u>	<u>82,196,594</u>
NET (EXPENSE) REVENUE	<u>\$ (371,415,121)</u>	<u>\$ (374,456,467)</u>	<u>\$ (361,376,786)</u>	<u>\$ (370,867,500)</u>	<u>\$ (421,691,963)</u>

TUCSON UNIFIED SCHOOL DISTRICT NO. 1
GENERAL REVENUES AND TOTAL CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year Ended June 30				
	2018	2017	2016	2015	2014
NET (EXPENSE) REVENUE	\$ (330,586,141)	\$ (346,913,890)	\$ (339,173,475)	\$ (338,059,943)	\$ (349,930,906)
GENERAL REVENUE					
Taxes:					
Property Taxes, Levied for General Purposes	153,807,195	157,829,310	141,731,194	142,745,273	151,093,018
Property Taxes, Levied for Debt Service	17,387,891	22,861,124	24,614,671	21,151,962	42,704,992
Property Taxes, Levied for Capital Outlay	6,742,815	-	13,925,324	18,421,667	2,782,396
Investment Income	1,601,949	620,166	557,570	530,244	352,847
Unrestricted County Aid	12,452,655	12,876,806	13,151,610	13,033,210	14,097,314
Unrestricted State Aid	143,249,793	163,180,636	171,211,671	164,102,726	152,463,686
Unrestricted Federal Aid	3,637,985	4,506,633	3,831,545	2,158,284	3,028,953
Proceeds from Sale of Capital Assets	717,066	-	-	-	-
Other	842,410	-	-	-	-
Total General Revenues	<u>340,439,759</u>	<u>361,874,675</u>	<u>369,023,585</u>	<u>362,143,366</u>	<u>366,523,206</u>
CHANGE IN NET POSITION	<u>\$ 9,853,618</u>	<u>\$ 14,960,785</u>	<u>\$ 29,850,110</u>	<u>\$ 24,083,423</u>	<u>\$ 16,592,300</u>

	Fiscal Year Ended June 30				
	2013	2012	2011	2010	2009
NET (EXPENSE) REVENUE	\$ (371,415,121)	\$ (374,456,467)	\$ (361,376,786)	\$ (370,867,500)	\$ (421,691,963)
GENERAL REVENUE					
Taxes:					
Property Taxes, Levied for General Purposes	164,258,242	155,769,383	122,512,450	142,759,522	131,633,343
Property Taxes, Levied for Debt Service	39,875,831	50,749,259	46,598,982	44,806,399	46,393,710
Property Taxes, Levied for Capital Outlay	6,463,393	2,156,401	25,031,169	378,741	12,258,603
Investment Income	740,367	675,595	817,368	1,099,217	2,134,966
Unrestricted County Aid	14,372,495	13,918,868	12,889,153	12,191,663	141,544
Unrestricted State Aid	146,611,426	158,195,164	190,988,261	202,282,511	229,617,096
Unrestricted Federal Aid	2,699,805	1,121,701	3,657,865	21,611,614	1,380,955
Proceeds from Sale of Capital Assets	-	-	-	-	-
Other	-	-	-	-	-
Total General Revenues	<u>375,021,559</u>	<u>382,586,371</u>	<u>402,495,248</u>	<u>425,129,667</u>	<u>423,560,217</u>
CHANGE IN NET POSITION	<u>\$ 3,606,438</u>	<u>\$ 8,129,904</u>	<u>\$ 41,118,462</u>	<u>\$ 54,262,167</u>	<u>\$ 1,868,254</u>

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

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund					
Reserved					
Unreserved					
Nonspendable	\$ 1,357,985	\$ 1,762,249	\$ 1,532,880	\$ 1,568,190	\$ 1,401,642
Restricted	10,490,744	-	-	-	-
Unassigned	18,160,003	23,310,670	30,871,023	27,952,038	30,539,900
Total General Fund	\$ 30,008,732	\$ 25,072,919	\$ 32,403,903	\$ 29,520,228	\$ 31,941,542
All Other Governmental Funds					
Reserved					
Unreserved, Reported in:					
Special Revenue Funds					
Debt Service Funds					
Capital Projects Funds					
Nonspendable	\$ 1,004,339	\$ 485,008	\$ 643,318	\$ 777,502	\$ 928,999
Restricted	86,101,759	37,499,375	44,700,979	47,643,989	33,487,783
Committed	-	4,925,981	2,419,323	1,039,083	910,868
Unassigned	-	(167,967)	(201,445)	(23,760)	(2,825,169)
Total All Other Governmental Funds	\$ 87,106,098	\$ 42,742,397	\$ 47,562,175	\$ 49,436,814	\$ 32,502,481

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

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

Fiscal Year				
2013	2012	2011	2010	2009
			\$ 18,561,991	\$ 2,473,779
			24,431,693	10,247,050
\$ 1,354,618	\$ 1,696,474	\$ 2,516,592		
-	-	-		
31,111,961	44,949,267	41,673,112		
<u>\$ 32,466,579</u>	<u>\$ 46,645,741</u>	<u>\$ 44,189,704</u>	<u>\$ 42,993,684</u>	<u>\$ 12,720,829</u>
			\$ 456,094	\$ 448,178
			35,070,776	27,647,952
			45,131,394	71,961,823
			12,084,405	10,952,462
\$ 1,203,182	\$ 1,192,659	\$ 1,151,571		
47,338,139	91,678,314	130,932,893		
747,383	697,442	1,840,152		
(32,372)	(112)	(22,815)		
<u>\$ 49,256,332</u>	<u>\$ 93,568,303</u>	<u>\$ 133,901,801</u>	<u>\$ 92,742,669</u>	<u>\$ 111,010,415</u>

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Federal Sources					
Federal Grants	\$ 51,122,305	\$ 48,067,680	\$ 44,769,017	\$ 42,860,201	\$ 49,697,352
State Fiscal Stabilization (ARRA)	-	-	-	-	-
Education Jobs	-	-	-	-	-
Impact Aid	559,516	1,273,114	966,667	728,590	676,045
National School Lunch Program	17,115,645	19,377,148	17,705,168	18,181,402	18,011,161
Interest Subsidy	1,134,580	2,973,687	1,853,469	2,365,903	1,257,444
Total Federal Sources	69,932,046	71,691,629	65,294,321	64,136,096	69,642,002
State Sources					
State Equalization Assistance	143,249,793	142,748,905	147,561,816	143,771,604	132,185,366
State Grants	3,038,640	480,624	796,650	548,195	997,741
School Facilities Board	3,936,577	730,985	523,629	726,400	-
Other Revenues	23,251,337	21,038,252	23,043,329	20,331,122	20,277,532
Total State Sources	173,476,347	164,998,766	171,925,424	165,377,321	153,460,639
Local Sources					
Property Taxes	177,301,481	180,359,530	179,330,981	184,034,798	195,388,011
County Aid	12,452,655	12,876,806	13,151,610	13,033,210	14,097,314
Food Service Sales	2,638,612	2,415,246	1,400,598	1,909,739	2,003,028
Investment Income	1,529,259	391,230	280,587	164,796	187,195
Other Revenues	16,567,519	16,365,205	15,182,965	14,242,254	12,882,717
Total Local Sources	210,489,526	212,408,017	209,346,741	213,384,797	224,558,265
Total Revenues	453,897,919	449,098,412	446,566,486	442,898,214	447,660,906
Expenditures					
Instruction	215,541,714	206,083,290	184,171,606	179,021,232	182,170,194
Support Services					
Students and Staff	71,953,557	65,080,307	62,254,885	59,835,214	62,928,162
Administration	44,276,474	46,887,015	42,556,971	42,079,368	40,912,970
Operation and Maintenance of Plant	51,464,117	50,490,660	49,925,794	51,388,778	49,228,361
Student Transportation	25,395,575	22,374,249	22,123,760	22,151,830	22,626,196
Operation of Noninstructional Services	26,160,227	26,422,667	24,575,643	24,817,964	22,569,839
Debt Service					
Principal Retirement	17,412,074	21,157,816	23,785,413	22,786,648	47,239,231
Interest on Long-Term Debt	9,967,726	9,258,936	11,071,732	11,740,160	11,720,671
Issuance Costs	425,740				
Capital Outlay	7,895,688	16,552,132	26,349,041	46,900,850	45,330,412
Total Expenditures	470,492,892	464,307,072	446,814,845	460,722,044	484,726,036
Other Financing Sources (Uses)					
Issuance of Refunding Debt	48,520,000	63,000,000	-	-	-
Issuance of Long-Term Debt	-	-	-	-	-
Payment to Refunded Debt Escrow Agent	-	(74,611,042)	-	-	-
Proceeds from Capital Leases	3,149,507	-	-	32,321,798	19,425,678
Proceeds from Sale of Capital Assets	7,224,196	2,838,216	1,426,879	-	-
Premium on Sale of Bonds	6,885,717	12,203,632	-	-	-
Transfers In	5,843,892	15,471,949	5,167,740	1,752,693	6,777,058
Transfers Out	(5,843,892)	(15,471,949)	(5,167,740)	(1,752,693)	(6,777,058)
Total Other Financing Sources (Uses)	65,779,420	3,430,806	1,426,879	32,321,798	19,425,678
Net Change in Fund Balance	\$ 49,184,447	\$ (11,777,854)	\$ 1,178,520	\$ 14,497,968	\$ (17,639,452)
Debt Service as a Percentage of Noncapital Expenditures	6.06%	6.55%	7.80%	7.49%	12.16%

Source: District's financial records

Fiscal Year

	2013	2012	2011	2010	2009
\$	51,441,832	\$ 60,941,360	\$ 60,810,964	\$ 58,543,843	\$ 42,041,772
	-	-	2,291,978	20,594,948	-
	-	4,322,415	6,258,984	-	-
	1,206,125	1,121,701	1,365,887	1,016,666	1,380,955
	17,567,092	17,017,815	16,473,993	16,871,966	16,574,952
	1,296,061	1,355,003	-	-	-
	<u>71,511,110</u>	<u>84,758,294</u>	<u>87,201,806</u>	<u>97,027,423</u>	<u>59,997,679</u>
	128,594,364	142,586,526	177,289,785	185,038,264	211,483,789
	1,838,710	1,004,308	1,605,563	3,291,113	5,422,104
	-	-	-	-	-
	17,285,416	15,835,725	14,668,319	16,048,443	19,775,662
	<u>147,718,490</u>	<u>159,426,559</u>	<u>193,563,667</u>	<u>204,377,820</u>	<u>236,681,555</u>
	209,545,368	210,099,111	189,258,948	187,598,121	189,705,780
	14,372,495	13,918,868	12,889,153	12,191,663	279,544
	2,200,959	2,122,437	2,438,926	2,841,522	3,384,150
	421,413	461,420	611,420	924,187	1,868,172
	11,731,552	12,108,138	9,117,882	19,243,985	17,424,953
	<u>238,271,787</u>	<u>238,709,974</u>	<u>214,316,329</u>	<u>222,799,478</u>	<u>212,662,599</u>
	457,501,387	482,894,827	495,081,802	524,204,721	509,341,833
	200,508,623	207,817,232	204,760,085	230,202,146	234,931,349
	68,401,474	70,581,454	68,796,953	69,436,330	72,736,897
	42,935,792	41,370,788	40,360,497	40,324,873	40,973,334
	55,277,056	55,159,807	56,678,876	55,338,511	56,234,094
	23,676,242	23,454,160	22,241,973	23,193,120	21,568,722
	21,348,952	21,642,746	18,585,569	18,770,777	19,167,046
	40,583,291	40,909,199	34,649,692	33,004,537	32,461,174
	13,086,907	13,959,184	15,555,722	14,079,089	15,205,476
	-	441,705	776,763	-	762,221
	57,417,569	56,698,083	52,393,932	51,201,278	66,818,229
	<u>523,235,906</u>	<u>532,034,358</u>	<u>514,800,062</u>	<u>535,550,661</u>	<u>560,858,542</u>
	-	51,000,000	45,900,000	-	-
	-	-	74,000,000	-	57,000,000
	-	(54,314,359)	(49,962,127)	-	-
	3,273,496	11,525,165	-	7,254,921	1,045,221
	48,617	101,083	1,728,172	-	-
	-	3,738,599	5,038,940	-	1,066,478
	3,273,496	1,904,315	2,761,892	3,228,393	12,001,930
	<u>(3,273,496)</u>	<u>(1,904,315)</u>	<u>(2,761,892)</u>	<u>(3,228,393)</u>	<u>(12,001,930)</u>
	<u>3,322,113</u>	<u>12,050,488</u>	<u>76,704,985</u>	<u>7,254,921</u>	<u>59,111,699</u>
\$	<u>(62,412,406)</u>	<u>(37,089,043)</u>	<u>56,986,725</u>	<u>(4,091,019)</u>	<u>7,594,990</u>

10.26%

10.40%

9.90%

8.79%

8.63%

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

NET LIMITED ASSESSED VALUE BY PROPERTY CLASS

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	\$ 1,034,126,227	\$ 77,546,462	\$ 1,390,537,836	\$ 675,985,879	\$ 2,685,155	\$ 34,881,981	\$ 4,197	\$ 3,215,767,737
2016-17	965,433,532	94,872,106	1,328,794,436	656,086,204	2,528,033	33,455,272	-	3,081,169,583
2015-16	976,879,689	105,330,798	1,268,030,829	641,672,375	2,699,156	30,975,434	6,464	3,025,594,745
2014-15	1,010,697,174	111,852,863	1,251,339,919	594,632,374	2,663,090	30,462,610	6,156	3,001,654,186
2013-14	1,019,451,977	114,927,549	1,336,979,464	499,869,993	2,363,569	28,785,354	19,506	3,002,397,412
2012-13	1,081,215,033	118,498,381	1,477,013,301	507,897,672	2,303,761	28,965,566	20,701	3,215,914,415
2011-12	1,074,335,352	112,720,592	1,636,106,002	478,805,500	2,023,840	29,071,310	78,131	3,333,140,727
2010-11	1,090,965,347	114,484,305	1,861,033,185	508,578,926	2,014,148	29,884,448	-	3,606,960,359
2009-10	1,077,748,252	106,372,665	1,891,325,577	479,696,735	2,084,546	26,118,631	-	3,583,346,406
2008-09	1,050,177,813	103,609,679	1,746,892,589	428,515,359	2,398,360	22,935,741	-	3,354,529,541

FULL CASH VALUE OF TAXABLE PROPERTY BY CLASS

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	\$ 1,090,605,695	\$ 81,395,327	\$ 1,461,545,958	\$ 758,174,083	\$ 3,127,378	\$ 36,589,056	\$ 4,213	\$ 3,431,441,710
2016-17	1,006,656,328	97,700,856	1,429,214,902	717,687,648	2,705,166	35,707,258	-	3,289,672,158
2015-16	1,012,574,440	108,813,131	1,318,079,541	672,444,407	2,750,284	31,954,759	9,746	3,146,626,308
2014-15	1,025,364,280	114,157,316	1,254,450,188	601,425,570	2,688,000	30,607,284	6,156	3,028,698,794
2013-14	1,036,430,609	119,316,810	1,337,932,939	503,614,469	2,385,858	29,656,219	19,506	3,029,356,410
2012-13	1,114,174,075	126,790,265	1,478,192,168	512,387,222	2,347,426	30,404,234	21,389	3,264,316,779
2011-12	1,124,168,415	124,964,505	1,640,031,268	483,574,300	2,258,002	30,856,368	81,418	3,405,934,276
2010-11	1,188,354,335	139,480,103	1,887,895,526	531,796,567	2,404,131	34,061,136	-	3,783,991,798
2009-10	1,143,811,906	145,829,986	2,050,227,168	511,313,599	2,704,690	32,162,664	-	3,886,050,013
2008-09	1,118,258,896	115,601,397	1,753,984,903	429,891,517	2,842,410	23,244,874	-	3,443,823,997

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

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

Property Classification (a)		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
01	Mining, Utilities, Commercial and Industrial	18%	18%	19%	19%	20%	20%	20%	21%	22%	23%
02.R/P	Agriculture and Vacant Land	15	15	16	16	16	16	16	16	16	16
03	Primary Residential Property	10	10	10	10	10	10	10	10	10	10
04	Leased or Rented Residential	10	10	10	10	10	10	10	10	10	10
05	Railroads, Private Rail Cars, and Airlines	15	14	15	16	15	15	15	17	18	20

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

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

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

Fiscal Year	Overlapping Rates									District Direct Rates		
	State Equalization	Total County	County Free Library	Flood Control District	Community College District	Fire District Assistance	Central Arizona Water	City of Tucson	City of South Tucson	Primary	Secondary	Total
2009	0.00	4.00	0.34	0.29	1.14	0.04	0.10	0.96	0.21	5.36	1.21	6.57
2010	0.00	4.02	0.26	0.26	1.08	0.04	0.10	0.93	0.20	4.94	1.13	6.07
2011	0.00	4.06	0.31	0.26	1.08	0.04	0.10	0.96	0.20	5.05	1.25	6.30
2012	0.00	4.20	0.35	0.26	1.11	0.04	0.10	1.16	2.66	5.47	1.48	6.95
2013	0.00	4.20	0.35	0.26	1.17	0.04	0.10	1.26	2.76	6.08	1.24	7.32
2014	0.51	4.45	0.38	0.26	1.29	0.05	0.14	1.43	2.98	6.01	1.43	7.44
2015	0.51	4.98	0.44	0.30	1.33	0.05	0.14	1.46	0.25	6.80	0.71	7.51
2016	0.51	5.09	0.52	0.31	1.37	0.05	0.14	1.60	0.25	6.52	0.82	7.34
2017	0.50	4.98	0.52	0.33	1.37	0.05	0.14	1.60	0.25	6.38	0.74	7.12
2018	0.49	4.46	0.51	0.31	1.39	0.05	0.14	1.43	0.25	6.38	0.55	6.92

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

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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Unisource Energy Corporation	\$ 68,725,469	1	2.00%	\$ 45,855,390	2	1.18%
SMSJ Holdings LLC	29,785,200	2	0.87			
Southwest Gas Corporation	27,757,891	3	0.81	31,088,400	3	0.80
Qwest Corporation	20,039,286	4	0.58	55,181,910	1	1.42
Wal-Mart Stores	11,439,470	5	0.33	6,217,680	10	0.16
Starr Pass Resort Development LLC	10,344,331	6	0.30	17,875,830	5	0.46
WC Partners	7,877,887	7	0.23	8,937,915	7	0.23
El Con Shopping Center	7,828,766	8	0.23	10,492,335	6	0.27
El Dorado Hospital/TMC Holdings	7,731,691	9	0.23			
AT&T Mobility	6,769,698	10	0.20			
Park Place Shopping Center	-			19,041,645	4	0.49
Hub Properties Trust	-			7,383,495	8	0.19
Marshall Foundation	-			7,383,495	9	0.19
Totals	<u>\$ 198,299,689</u>		3.80	<u>\$ 209,458,095</u>		4.22

Source: Pima County Assessors Records

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

Fiscal Year	Total Tax Levy (1)	Current Collections			Total Collections	Collections as a Percentage of the Levy	Outstanding Tax Collections	Outstanding Collections as a Percentage of Levy
		Current Tax Collections (1)	Percent of Current Taxes Collected	Delinquent Tax Collections (1)				
2009	\$ 183,939,765	\$ 176,305,975	95.85 %	\$ 7,495,105	\$ 183,801,080	99.92 %	\$ 138,685	0.08 %
2010	179,853,772	171,331,961	95.26	8,305,315	179,637,276	99.88	216,496	0.12
2011	187,871,554	175,768,632	93.56	9,644,018	185,412,650	98.69	2,458,904	1.31
2012	208,831,937	199,284,574	95.43	9,165,364	208,449,938	99.82	381,999	0.18
2013	211,182,909	201,863,709	95.59	8,544,018	210,407,727	99.63	775,182	0.37
2014	196,991,408	188,246,693	95.56	8,040,104	196,286,797	99.64	704,611	0.36
2015	182,457,545	174,547,250	95.66	7,073,509	181,620,759	99.54	836,786	0.46
2016	180,517,207	172,697,266	95.67	7,098,624	179,795,890	99.60	721,317	0.40
2017	175,019,179	169,670,800	96.94	4,617,002	174,287,802	99.58	731,377	0.42
2018	171,842,883	166,761,271	97.04	-	166,761,271	97.04	5,081,612	2.96

Source: County Treasurer & District records

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

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

Fiscal Year	Governmental Activities			Debt Per Capita	Percentage of Personal Income	Population
	General Obligation Bonds	Capital Leases	Total Primary Government			
2009	\$ 295,628,919	\$ 3,180,587	\$ 298,809,506	\$ 740	2.16 %	403,552
2010	265,770,552	7,255,971	273,026,523	714	2.07	382,656
2011	312,128,142	5,136,279	317,264,421	670	1.88	473,319
2012	278,767,431	11,982,245	290,749,676	612	1.66	475,382
2013	242,508,469	14,555,055	257,063,524	538	1.45	478,102
2014	205,247,538	23,816,502	229,064,040	429	1.14	533,796
2015	190,064,802	47,666,652	237,731,454	447	1.17	531,481
2016	174,496,634	38,681,239	213,177,873	403	1.02	528,706
2017	163,266,104	30,873,423	194,139,527	364	0.90	533,023
2018	206,075,984	27,130,856	233,206,840	434	1.04	537,566

Fiscal Year	Governmental Activities			Ratio of Net Bonded Debt to the Estimated Actual Value of Taxable Property	Population	Debt Per Capita
	General Obligation Bonds	Less: Amounts Restricted for Principal (1)	Total Primary Government			
2009	\$ 295,628,919	\$ (10,557,977)	\$ 285,070,942	0.82	403,552	\$ 706
2010	265,770,552	(12,394,579)	253,375,973	0.70	382,656	662
2011	312,128,142	(13,599,040)	298,529,102	0.84	473,319	631
2012	278,767,431	(14,136,565)	264,630,866	0.81	475,382	557
2013	242,508,469	(16,538,166)	225,970,303	0.72	478,102	473
2014	205,247,538	(9,582,846)	195,664,692	0.65	533,796	367
2015	190,064,802	(5,384,563)	184,680,239	0.60	531,481	347
2016	174,496,634	(3,760,236)	170,736,398	0.53	528,706	323
2017	163,266,104	(6,258,790)	157,007,314	0.46	533,023	295
2018	206,075,984	(61,361,501)	144,714,483	0.42	537,566	269

Source: The District financial records for long-term debt information. The source of the estimated district population is the U.S. Census Bureau, 2010 Census, as reported by the National Center for Education Statistics, School District Demographics System.

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

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Pima County	\$ 275,990,000	39.82 %	\$ 109,899,218
Pima College District	-	39.82	-
City of Tucson	174,640,000	96.69	<u>168,859,416</u>
Subtotal, Overlapping Debt			278,758,634
Tucson Unified School District No. 1	233,206,840		<u>233,206,840</u>
Total Direct and Overlapping Debt			<u><u>\$ 511,965,474</u></u>

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

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

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

	Fiscal Year			
	2018	2017	2016	2015
Class A and B Bonded Debt				
Debt Limit	\$ 1,029,432,513	\$ 986,901,647	\$ 943,987,892	\$ 908,609,638
Total Applicable to Limit	<u>124,823,499</u>	<u>148,185,000</u>	<u>168,855,000</u>	<u>183,665,000</u>
Legal Debt Margin	<u>\$ 904,609,014</u>	<u>\$ 838,716,647</u>	<u>\$ 775,132,892</u>	<u>\$ 724,944,638</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	12.13%	15.02%	17.89%	20.21%

	Fiscal Year			
	2018	2017	2016	2015
Class B Bonded Debt				
Debt Limit	\$ 686,288,342	\$ 657,934,432	\$ 629,325,262	\$ 605,739,759
Total Applicable to Limit	<u>124,823,499</u>	<u>148,185,000</u>	<u>168,855,000</u>	<u>183,665,000</u>
Legal Debt Margin	<u>\$ 561,464,843</u>	<u>\$ 509,749,432</u>	<u>\$ 460,470,262</u>	<u>\$ 422,074,759</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	18.19%	22.52%	26.83%	30.32%

Source: The District's financial records for long-term debt.

Fiscal Year

2014	2013	2012	2011	2010	2009
\$ 908,806,923	\$ 979,295,034	\$ 1,021,780,283	\$ 1,135,197,539	\$ 1,191,074,209	\$ 1,165,815,004
<u>197,970,000</u>	<u>235,045,000</u>	<u>270,675,000</u>	<u>306,905,000</u>	<u>265,260,000</u>	<u>295,085,000</u>
<u><u>\$ 710,836,923</u></u>	<u><u>\$ 744,250,034</u></u>	<u><u>\$ 751,105,283</u></u>	<u><u>\$ 828,292,539</u></u>	<u><u>\$ 925,814,209</u></u>	<u><u>\$ 870,730,004</u></u>
21.78%	24.00%	26.49%	27.04%	22.27%	25.31%

Fiscal Year

2014	2013	2012	2011	2010	2009
\$ 302,935,641	\$ 326,431,678	\$ 340,593,428	\$ 378,399,180	\$ 397,024,736	\$ 388,605,001
<u>197,970,000</u>	<u>235,045,000</u>	<u>254,136,834</u>	<u>209,880,000</u>	<u>139,030,000</u>	<u>161,000,000</u>
<u><u>\$ 104,965,641</u></u>	<u><u>\$ 91,386,678</u></u>	<u><u>\$ 86,456,594</u></u>	<u><u>\$ 168,519,180</u></u>	<u><u>\$ 257,994,736</u></u>	<u><u>\$ 227,605,001</u></u>
65.35%	72.00%	74.62%	55.47%	35.02%	41.43%

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

Fiscal Year	Estimated District Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate	County Population
2009	403,552	\$ 13,822,730	\$ 34,253	9.00	984,274
2010	382,656	13,214,437	34,534	9.30	981,168
2011	473,319	16,863,585	35,628	8.50	986,081
2012	475,382	17,478,170	36,767	7.40	990,380
2013	478,102	17,728,974	37,082	7.00	996,046
2014	533,796	20,153,303	37,755	6.40	1,007,162
2015	531,481	20,335,120	38,261	5.60	1,022,079
2016	528,706	20,986,836	39,695	5.00	1,016,743
2017	533,023	21,501,766	40,339	4.50	1,025,044
2018	537,566	22,475,960	41,811	4.30	1,033,781

Sources:

The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis. The source of the "Population" and "Unemployment Rate" information from 2009 through 2010 is the University of Arizona, Eller College of Management, Economic and Business Research Center for 2011 through 2018 the source of the information is the Arizona Office of Employment and Population Statistics, aka Arizona Office of Economic Opportunity

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

Employer	2018		2009	
	Employees	Percentage of Total Employment - 481,835	Employees	Percentage of Total Employment 486,400
University of Arizona	10,846	2.25 %	10,575	2.17 %
Raytheon	10,300	2.14	11,539	2.37
Davis Monthan	9,100	1.89	7,509	1.54
State of Arizona	8,807	1.83	9,329	1.92
Tucson Unified School District	7,688	1.60	7,277	1.50
Wal-Mart Stores	7,450	1.55	6,715	1.38
US Customs & Border Protection	6,500	1.35		
UA Healthcare Network	6,099	1.27		
Pima County Government	6,076	1.26	6,235	1.28
Freeport-McMoRan	5,463	1.13	5,987	1.23
US Army Ft Huachuca			6,463	1.33
City of Tucson			5,635	1.16
Total	78,329	16.26	77,264	15.88

Source: The source of this information is the Arizona Daily Star - Star 200 and Bureau of Labor Statistics.

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

Function	Full Time Equivalent Employees				
	2018	2017	2016	2015	2014
Instruction	3,312	3,163	3,050	3,194	3,169
Support Services - Students and Staff	890	834	676	762	655
Support Services - Administration	462	1,019	987	902	913
Operation and Maintenance of Plant Services	656	425	412	396	391
Student Transportation Services	396	351	321	312	321
Operation of Non-Instructional Services	310	174	198	185	189
Total	<u>6,026</u>	<u>5,966</u>	<u>5,644</u>	<u>5,751</u>	<u>5,638</u>

Source: The District's Human Resources Department and Business and Finance Department.

Note 1: This data includes both vacant and filled positions.

Full-Time Equivalent Employees

2013	2012	2011	2010	2009
3,443	3,546	3,535	3,760	3,926
684	616	520	628	841
992	1,013	1,055	1,002	1,180
475	517	503	520	333
375	369	383	391	466
181	194	203	218	253
<u>6,150</u>	<u>6,255</u>	<u>6,199</u>	<u>6,519</u>	<u>6,999</u>

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

<u>Fiscal Year</u>	<u>Enrollment (3)</u>	<u>Maintenance and Operating Expenditures (2)</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (1)</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Free/Reduced Students</u>
2009	54,186	\$ 445,611,442	\$ 8,224	- %	3,926	13.80	63.3 %
2010	52,836	437,265,757	8,276	0.63	3,760	14.05	67.1
2011	50,261	411,423,953	8,186	(0.46)	3,535	14.22	68.6
2012	49,036	420,026,187	8,566	3.50	3,546	13.83	71.5
2013	48,342	412,148,139	8,526	4.15	3,443	14.04	72.0
2014	46,597	380,435,722	8,164	(4.24)	3,169	14.70	73.0
2015	45,802	379,294,386	8,281	1.43	3,194	14.34	74.9
2016	45,870	385,608,659	8,407	1.51	3,050	15.04	75.0
2017	44,560	417,338,188	9,366	11.41	3,163	14.09	71.0
2018	43,835	420,928,797	9,603	2.53	3,176	13.80	67.6

Source: The District's Finance Department.

- (1) Teacher Staff (FTE) includes all teaching positions filled and vacant.
- (2) Includes expenditures of all funds except Debt Service and Capital Outlay.
- (3) Enrollment is based on 100th day figures.

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

Schools	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elementary										
Buildings	490	493	519	519	519	519	596	579	579	579
Square Feet	2,447,043	2,557,066	2,750,819	2,750,849	2,750,849	2,750,849	3,617,427	3,549,471	3,549,471	3,549,471
Capacity	28,950	26,220	31,600	31,600	31,600	31,600	36,490	32,370	32,370	32,370
Enrollment	20,479	21,543	22,095	22,619	22,619	22,619	23,231	28,231	28,231	28,231
Middle										
Buildings	125	126	126	126	126	126	126	120	120	120
Square Feet	1,732,852	1,823,702	1,823,702	1,823,702	1,823,702	1,823,702	1,943,292	1,726,343	1,726,343	1,726,343
Capacity	17,125	20,850	20,850	20,850	20,850	20,850	20,850	14,115	14,115	14,115
Enrollment	10,004	10,067	10,152	12,816	12,816	12,816	13,448	12,092	12,092	12,092
High										
Buildings	118	118	118	118	118	118	118	110	110	110
Square Feet	3,411,819	3,411,819	3,411,819	3,411,819	3,411,819	3,411,819	3,411,819	3,272,318	3,272,318	3,272,318
Capacity	21,575	21,575	21,575	21,575	21,575	21,575	21,575	18,670	18,670	18,670
Enrollment	14,088	14,253	14,214	14,404	14,404	14,404	14,647	16,790	16,790	16,790
Administrative										
Buildings	91	91	91	91	91	90	89	89	89	89
Square Feet	460,301	460,301	460,301	460,301	443,496	410,510	410,510	410,510	410,510	410,510
Other										
Buildings	104	104	92	93	94	94	28	28	28	28
Square Feet	506,841	506,841	559,201	428,082	453,143	453,143	113,288	113,288	113,288	113,288
Capacity	675	675	675	65	675	675	300	300	300	300
Enrollment	174	174	174	174	174	174	250	250	250	250
Transportation										
Garages	14	14	14	14	14	14	10	10	10	10
Buses	341	323	318	341	350	325	304	314	307	306
Athletics										
Multi-purpose Fields	9	9	9	9	9	9	9	9	9	9
Football Fields	9	9	9	9	9	9	9	9	9	9
Running Tracks	9	9	9	9	9	9	9	9	9	9
Baseball/Softball Fields	36	36	36	36	36	36	36	36	36	36
Swimming Pools	2	2	2	2	2	2	2	2	2	2

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

TUCSON UNIFIED
SCHOOL DISTRICT

1010 E 10th Street • Tucson, Arizona 85719