

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MAYER, ARIZONA**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2017**

**Issued by:  
Business and Finance Department**

This page is intentionally left blank.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
TABLE OF CONTENTS  
JUNE 30, 2017**

**Page**

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**.....1

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**.....5

**BASIC FINANCIAL STATEMENTS**

**Government-Wide Financial Statements:**

Statement of Net Position.....20

Statement of Activities.....21

**Fund Financial Statements:**

**Governmental Funds:**

Balance Sheet - Governmental Funds.....24

Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Position.....27

Statement of Revenues, Expenditures, and Changes In Fund Balances -  
Governmental Funds .....28

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the Government-Wide  
Statement of Activities.....30

**Fiduciary Funds:**

Statement of Fiduciary Assets and Liabilities.....31

**Notes to the Financial Statements**.....32

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule - General Fund.....55

Schedule of the District's Proportionate Share of the Net Pension Liability.....57

Schedule of District Pension Contributions.....58

Note to Required Supplementary Information.....60

This page intentionally left blank.



## Independent Auditors' Report

Governing Board of  
Mayer Unified School District No. 43  
Mayer, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mayer Unified School District No. 43, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 year ended June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

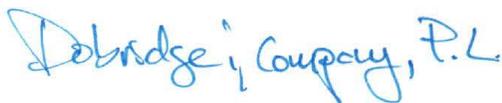
## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 5, the budgetary comparison information beginning on page 55, the *Schedule of the District's Proportionate Share of the Net Pension Liability* on page 57, the *Schedule of District Pension Contributions* on page 58 and the related note to required supplementary information beginning on page 60 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 Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



*Certified Public Accountants*  
*Mesa, Arizona*

February 28, 2018

---

---

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

---

---

This page intentionally left blank.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

As management of the Mayer Unified School District No. 43 (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, 2017. We encourage readers to consider the information presented here in conjunction with the audited financial statements included in this report.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year June 30, 2017, were as follows:

- As of June 30, 2017, the District's total net position was \$1.8 million. This is a decrease of \$455,020, or 20.4 percent, from fiscal year 2015-16.
- General revenues of \$4.4 million accounted for 70.1 percent of all fiscal year 2016-17 revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions of \$1.9 million accounted for 29.9 percent of total fiscal year 2016-17 revenues.
- The District had \$6.7 million in expenses related to governmental activities; of which \$1.9 million of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues of \$4.4 million provided resources for most of the remaining \$4.8 million of District costs. The deficiency between the general revenues and remaining District costs resulted in net position decreasing \$455,020.
- In fiscal year 2016-17, the General Fund reported \$4.5 million in revenues and \$4.4 million in expenditures. The revenues consisted primarily of \$2.0 million in state aid and grants and \$1.3 million in property taxes. As a result of annual activity, the General Fund's fund balance increased \$104,165.
- The District recorded \$332,178 of tuition revenue for educating students from other school districts.
- During the fiscal year 2016-17, the District's net capital assets decreased \$294,899 as a result of activity throughout the year. For additional information regarding the capital assets, see financial statement note 5.
- On July 1, 2016, the District made \$95,000 in principal payments on outstanding bonds reducing the principal owed to \$1.4 million as of June 30, 2017. For further information regarding bonds, see financial statement note 8.
- During the fiscal year ending June 30, 2017, the District made a \$79,726 principal payment on outstanding capital leases reducing the principal owed to \$624,547 as of June 30, 2017. For further information regarding leases, see financial statement note 10.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2017**

**OVERVIEW OF FINANCIAL STATEMENTS**

The District's basic financial statements are comprised of the government-wide financial statements, the fund financial statements, and the notes to the financial statements. These sections provide a comprehensive overview of the District's finances.

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

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements of the District include the Governmental activities. Most of the District's basic services are included here, such as instruction, extra-curricular activities, curriculum and staff development, and general administration. Property taxes, intergovernmental revenues and grants finance most of these activities.

**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 presented in the following categories: governmental funds and fiduciary funds.

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

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

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**OVERVIEW OF FINANCIAL STATEMENTS (concluded)**

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 all major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

***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. The accrual basis of accounting is used for fiduciary funds.

**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.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison schedule is provided for the General Fund and any major special revenue funds beginning on page 55. Additionally, pension schedules detailing the District's proportionate share of net pension liability and pension contributions are presented beginning on page 57.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table presents a two-year comparison of the District's net position for the fiscal years ended June 30, 2017 and 2016.

	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current assets	\$ 2,175,728	\$ 2,237,885	\$ (62,157)	(2.8)%
Capital assets	<u>6,619,302</u>	<u>6,914,201</u>	<u>(294,899)</u>	<u>(4.3)%</u>
<b>Total assets</b>	<u>8,795,030</u>	<u>9,152,086</u>	<u>(357,056)</u>	<u>(3.9)%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>1,186,036</u>	<u>1,062,602</u>	<u>123,434</u>	<u>11.6 %</u>
<b>LIABILITIES</b>				
Current liabilities	222,146	175,082	47,064	26.9 %
Noncurrent liabilities	<u>7,302,187</u>	<u>7,386,948</u>	<u>(84,761)</u>	<u>(1.1)%</u>
<b>Total liabilities</b>	<u>7,524,333</u>	<u>7,562,030</u>	<u>(37,697)</u>	<u>(0.5)%</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
	<u>684,939</u>	<u>425,844</u>	<u>259,095</u>	<u>60.8 %</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,604,755	4,724,928	(120,173)	(2.5)%
Restricted	731,660	952,215	(220,555)	(23.2)%
Unrestricted	<u>(3,564,621)</u>	<u>(3,450,329)</u>	<u>(114,292)</u>	<u>(3.3)%</u>
<b>Total net position</b>	<u>\$ 1,771,794</u>	<u>\$ 2,226,814</u>	<u>\$ (455,020)</u>	<u>(20.4)%</u>

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.8 million as of June 30, 2017. The following represents significant information regarding changes and balances:

- The District's current assets decreased \$62,157 primarily due to a decrease in cash and investments.
- The District had \$110,618 in additions and \$4,142 of net deletions to capital assets that were offset by depreciation expense of \$401,375, resulting in an overall net decrease in capital assets of \$294,899.
- Current liabilities increased \$47,064 primarily due to an increase in expenditures during the 60-day encumbrance period after year end as compared to the prior year.
- Noncurrent liabilities decreased \$84,761 primarily due to the principal payments of the outstanding bonds and the capital lease.
- By far, the largest portion of the District's net position, \$4.6 million, reflects its net investment in capital assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Additionally, \$731,660 of the District's net position represents resources that are subject to external restrictions. The remaining deficit balance of net position, \$3.6 million, is considered unrestricted. For additional information regarding net position, see financial statement note 1.P.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

The following table presents a two-year comparison of the changes in net position for the fiscal years ended June 30, 2017 and 2016.

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 494,670	\$ 365,888	\$ 128,782	35.2 %
Operating grants and contributions	1,342,097	1,492,248	(150,151)	(10.1)%
Capital grants and contributions	27,003	1,385	25,618	1,849.7 %
General revenues:				
Taxes	1,555,422	1,541,049	14,373	0.9 %
State aid	2,083,132	2,328,933	(245,801)	(10.6)%
County aid	703,257	753,717	(50,460)	(6.7)%
Investment income	8,467	6,632	1,835	27.7 %
Miscellaneous	15,754	9,296	6,458	69.5 %
<b>Total revenues</b>	<u>6,229,802</u>	<u>6,499,148</u>	<u>(269,346)</u>	<u>(4.1)%</u>
<b>Expenses:</b>				
Instruction	3,254,854	3,081,915	172,939	5.6 %
Support services - students and staff	662,979	656,841	6,138	0.9 %
Support services - administration	916,519	939,066	(22,547)	(2.4)%
Operation and maintenance of plant	802,913	737,783	65,130	8.8 %
Student transportation services	614,546	533,516	81,030	15.2 %
Operation of non-instructional services	340,687	309,861	30,826	9.9 %
Interest on long-term debt	92,324	96,299	(3,975)	(4.1)%
<b>Total expenses</b>	<u>6,684,822</u>	<u>6,355,281</u>	<u>329,541</u>	<u>5.2 %</u>
<b>Change in net position</b>	(455,020)	143,867	(598,887)	(416.3)%
<b>Beginning net position</b>	<u>2,226,814</u>	<u>2,082,947</u>	<u>143,867</u>	<u>6.9 %</u>
<b>Ending net position</b>	<u>\$ 1,771,794</u>	<u>\$ 2,226,814</u>	<u>\$ (455,020)</u>	<u>(20.4)%</u>

Net position decreased \$455,020, the following represents significant information regarding changes:

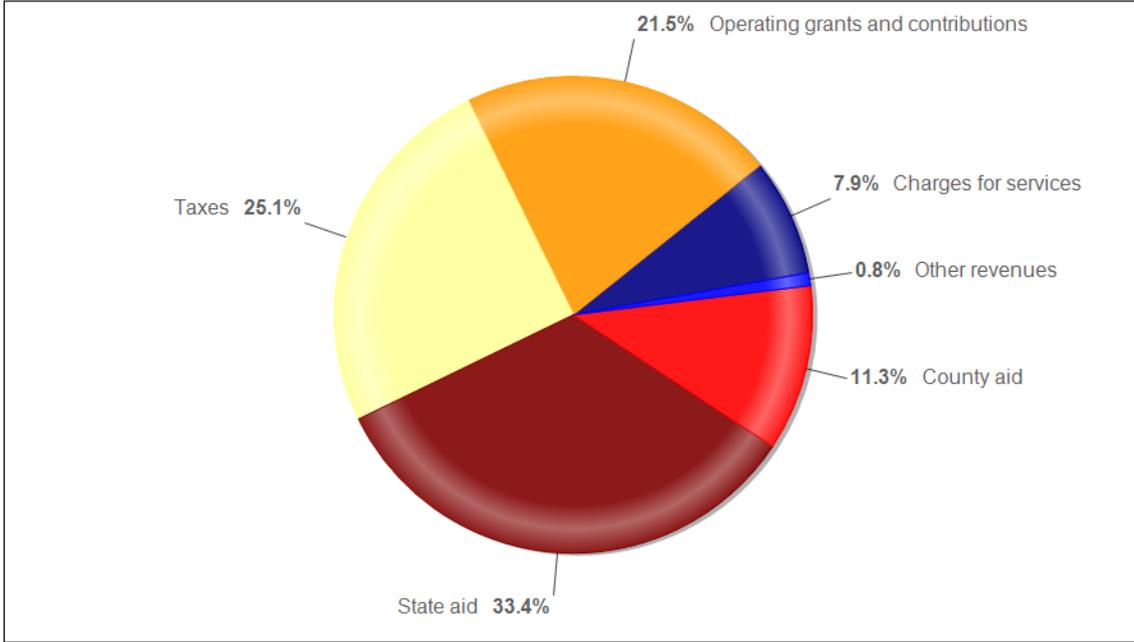
- Revenues decreased \$269,346 primarily due to a decrease in state aid.
- Expenses increased \$329,541 primarily due to an increase in instructional expenses.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

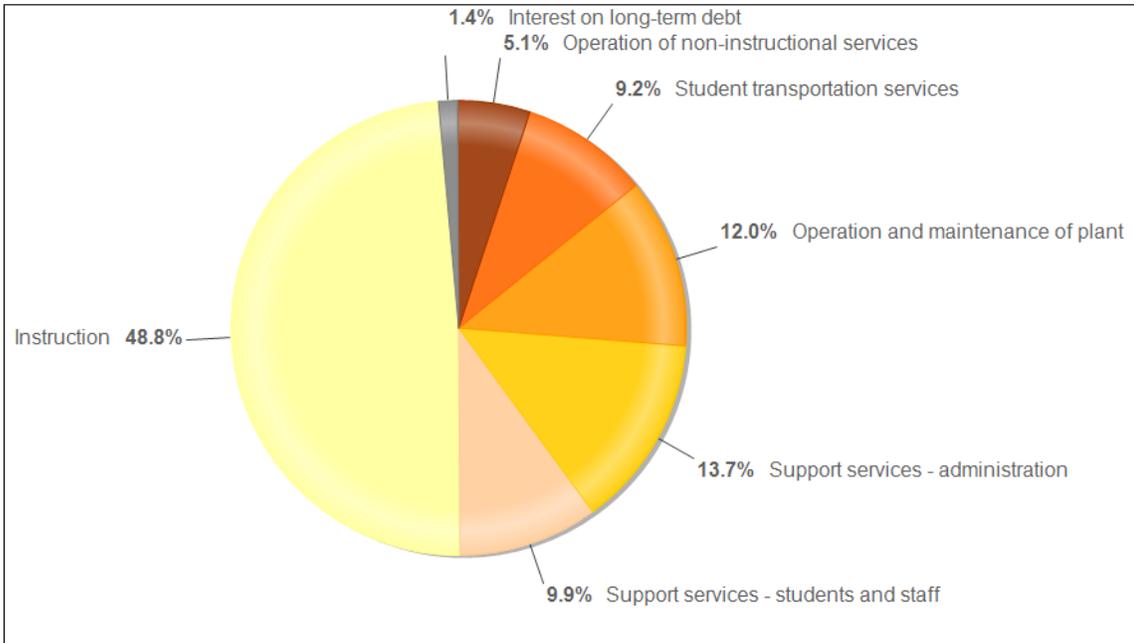
**District-Wide Revenues**

FY 2016-17



**District-Wide Expenses**

FY 2016-17

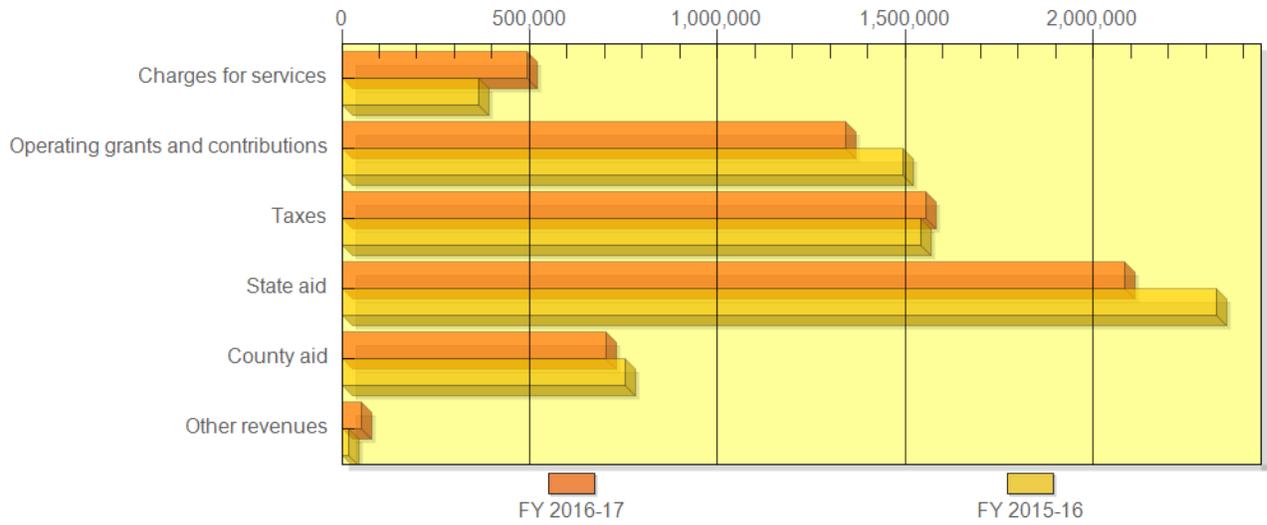


**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

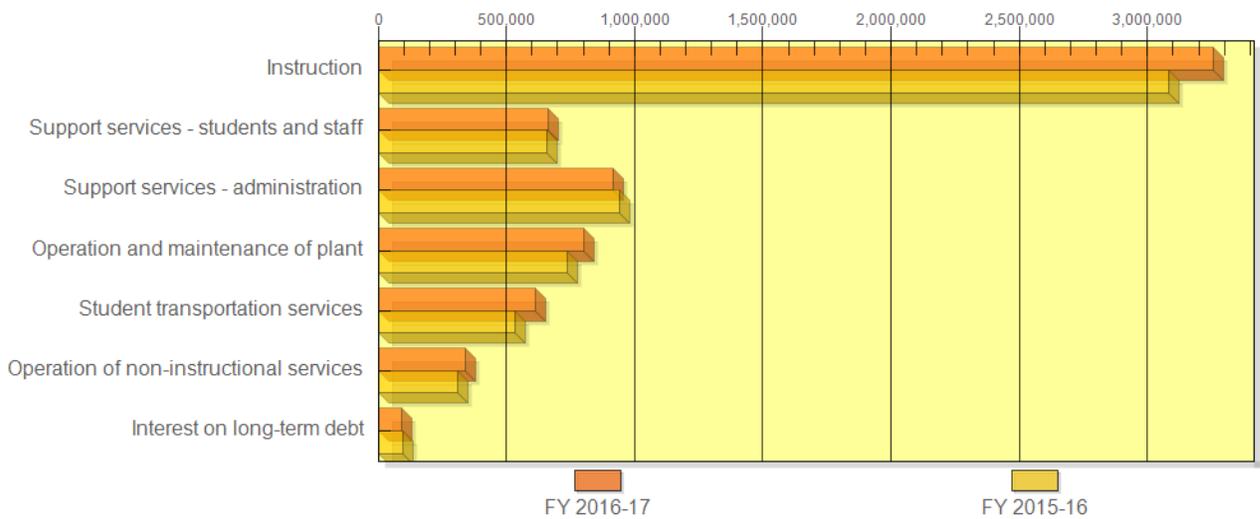
**District-Wide Revenues**

2 Year Comparison



**District-Wide Expenses**

2 Year Comparison



**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (concluded)**

The following table displays information from the *Statement of Activities* governmental activities and compares the net cost of services for the two years ended June 30, 2017 and 2016.

<b><u>Expense Function</u></b>	Net (Expense) Revenue <u>June 30, 2017</u>	Net (Expense) Revenue <u>June 30, 2016</u>	<u>Change</u>	Percent <u>Change</u>
Instruction	\$ (2,152,171)	\$ (2,130,169)	\$ (22,002)	(1.0)%
Support services - students and staff	(480,228)	(398,498)	(81,730)	(20.5)%
Support services - administration	(837,116)	(762,930)	(74,186)	(9.7)%
Operation and maintenance of plant	(687,651)	(648,177)	(39,474)	(6.1)%
Student transportation services	(610,776)	(515,527)	(95,249)	(18.5)%
Operation of non-instructional services	39,214	55,840	(16,626)	(29.8)%
Interest on long-term debt	(92,324)	(96,299)	3,975	4.1 %
Total	<u>\$ (4,821,052)</u>	<u>\$ (4,495,760)</u>	<u>\$ (325,292)</u>	<u>(7.2)%</u>

The net cost of services increased \$325,292, or 7.2 percent, due to overall expenses increasing \$329,541 while program revenues increased only \$4,249. The following represents significant information regarding changes and balances:

- Program revenues of \$1.9 million subsidized the government-wide expenses.
- The remaining net costs of governmental activities of \$4.8 million of District costs are financed primarily through general revenues.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

The following table provides analysis of the District's major and other governmental funds' fund balances and the total change in fund balances for the two years ended June 30, 2017 and 2016.

<u>Fund</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
General Fund	\$ 1,062,945	\$ 958,780	\$ 104,165	10.9 %
Unrestricted Capital Outlay Fund	324,731	445,500	(120,769)	(27.1)%
Debt Service Fund	9,483	10,612	(1,129)	(10.6)%
Other Governmental Funds	<u>397,446</u>	<u>496,103</u>	<u>(98,657)</u>	<u>(19.9)%</u>
Total	<u>\$ 1,794,605</u>	<u>\$ 1,910,995</u>	<u>\$ (116,390)</u>	<u>(6.1)%</u>

Overall governmental fund balance decreased \$116,390. The following represents significant information regarding changes:

- The General Fund's fund balance increased \$104,165, or 10.9 percent, due to revenues exceeding expenditures in the current year.
- The Unrestricted Capital Outlay Fund's fund balance decreased \$120,769, or 27.1 percent, primarily due to expenditures exceeding revenues in the current year.
- The Debt Service Fund's fund balance decreased \$1,129, or 10.6 percent, primarily due to decreased property tax revenues allocated to the fund.
- The Other Governmental Funds' fund balances decreased \$98,657, or 19.9 percent, primarily due to increased expenditures in the current fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared annually according to Arizona law. The General Fund Budgetary Comparison Schedule presents the budgeted amounts, as well as the variances between the final budget and the actual expenditures incurred.

The actual amounts expended in the General Fund were \$4.1 million, which is \$456,097, or 10.0 percent, less than the final budget. This difference was primarily due to temporary employee vacancies resulting in employee compensation being less than anticipated.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**CAPITAL ASSETS**

As of June 30, 2017, the District had invested \$6.6 million in capital assets (net of accumulated depreciation) including school buildings, athletic facilities, buses, computers, and other equipment.

The following schedule presents a two year comparison of the capital asset balances for the two years ended June 30, 2017 and 2016.

<u>Governmental activities:</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
Land	\$ 279,998	\$ 279,998	\$ -	- %
Construction in progress	2,700	98,894	(96,194)	(97.3)%
Land improvements	887,628	852,284	35,344	4.1 %
Buildings and improvements	8,707,918	8,712,240	(4,322)	- %
Vehicles, furniture, and equipment	<u>2,365,127</u>	<u>2,326,098</u>	<u>39,029</u>	<u>1.7 %</u>
Total	<u>12,243,371</u>	<u>12,269,514</u>	<u>(26,143)</u>	<u>(0.2)%</u>
Less: accumulated depreciation	<u>(5,624,069)</u>	<u>(5,355,313)</u>	<u>(268,756)</u>	<u>(5.0)%</u>
Capital assets, net	<u>\$ 6,619,302</u>	<u>\$ 6,914,201</u>	<u>\$ (294,899)</u>	<u>(4.3)%</u>

A more in-depth analysis of material activity within capital assets is presented within the analysis of the *Statement of Net Position* earlier in the Management's Discussion and Analysis. Detailed information on the District's capital assets can be found in financial statement note 5.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**LONG-TERM DEBT**

The following schedule presents a two-year comparison of long-term debt for the two years ended June 30, 2017 and 2016.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>Percent Change</u>
Bonds payable	\$ 1,390,000	\$ 1,485,000	\$ (95,000)	(6.4)%
Net pension liability	5,140,910	5,042,636	98,274	1.9 %
Capital leases	624,547	704,273	(79,726)	(11.3)%
Compensated absences	<u>146,730</u>	<u>155,039</u>	<u>(8,309)</u>	<u>(5.4)%</u>
Total	<u>\$ 7,302,187</u>	<u>\$ 7,386,948</u>	<u>\$ (84,761)</u>	<u>(1.1)%</u>

Overall long-term debt balance decreased \$84,761. The following represents significant information regarding changes:

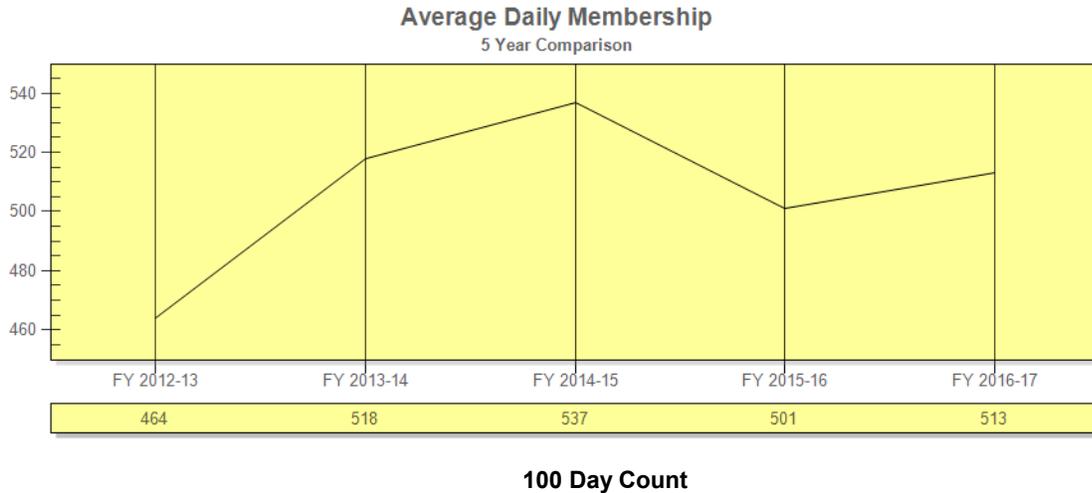
- Bonds payable decreased \$95,000, or 6.4 percent, due to the required payments of principal according to the terms of the debt agreements.
- Net pension liability increased \$98,274, or 1.9 percent, due to the results of investment activity and participant activity when compared to anticipated results as determined by the Arizona State Retirement System's actuaries.
- Capital leases decreased \$79,726, or 11.3 percent, due to the payment of principal as required by the capital lease agreements.
- Compensated absences decreased \$8,309, or 5.4 percent, due to the accrual and use of available leave balances by employees.

For additional information regarding long-term debt, see financial statement note 7.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S GENERAL FUND BUDGET AND RATES**

Many factors were considered by the District's administration during the process of developing the General Fund's budget for the next fiscal year (fiscal year 2017-18). The primary factors considered in developing fiscal year 2017-18's budget were the District's student population and employee salaries. This chart provides the District's average daily membership over the past five years.



Also considered in the development of the budget is the local economy and inflation of the surrounding area. Amounts available in the General Fund's fiscal year 2017-18 budget are \$4.4 million, an increase of 3.2 percent, which reflects the following:

- Available budget balance carryforward is \$456,097.
- Current year average daily membership is 513 and is expected to decrease in the fiscal year 2017-18 school year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Mayer Unified School District No. 43, PO Box 1059, Mayer, Arizona 86333.

This page intentionally left blank.

---

---

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

---

---

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,888,121
Accounts receivable	3,900
Refundable deposit	14,317
Property taxes receivable	93,336
Due from other governments	172,857
Prepaid expenses	3,197
Capital assets:	
Capital assets not being depreciated	282,698
Capital assets being depreciated, net	<u>6,336,604</u>
<b>Total assets</b>	<u><b>8,795,030</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pensions	<u>1,186,036</u>
<b>LIABILITIES</b>	
Accounts payable	58,854
Due to other governments	65,756
Accrued payroll and benefits	67,829
Advances from grantors	1,423
Interest payable	28,284
Noncurrent liabilities:	
Due within one year	208,484
Due in more than one year	<u>7,093,703</u>
<b>Total liabilities</b>	<u><b>7,524,333</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	<u>684,939</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,604,755
Restricted for:	
Debt service	9,483
Capital outlay	336,160
Food service	85,860
Voter approved initiatives	157,356
Other purposes	142,801
Unrestricted	<u>(3,564,621)</u>
<b>Total net position</b>	<u><b>\$ 1,771,794</b></u>

The accompanying notes are an integral part of these statements.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>(Expense) Revenue and Change in Net Position</u>
Governmental activities:					<u>Governmental Activities</u>
Instruction	\$ 3,254,854	\$ 436,280	\$ 666,403	\$ -	\$ (2,152,171)
Support services - students and staff	662,979	-	182,751	-	(480,228)
Support services - administration	916,519	-	79,403	-	(837,116)
Operation and maintenance of plant	802,913	-	88,259	27,003	(687,651)
Student transportation services	614,546	-	3,770	-	(610,776)
Operation of non-instructional services	340,687	58,390	321,511	-	39,214
Interest on long-term debt	92,324	-	-	-	(92,324)
Total governmental activities	<u>\$ 6,684,822</u>	<u>\$ 494,670</u>	<u>\$ 1,342,097</u>	<u>\$ 27,003</u>	<u>(4,821,052)</u>

General revenues:

Taxes:

Property taxes, general purposes	1,326,036
Property taxes, debt service	147,294
Property taxes, capital outlay	72,872
Payments in lieu of taxes	9,220

State aid:

General purposes	2,045,266
Capital outlay	15,056
Instructional improvement	22,810

County aid	703,257
Investment income	8,467
Miscellaneous	15,754

Total general revenues 4,366,032

Change in net position (455,020)

Net position, July 1, 2016 2,226,814

Net position, June 30, 2017 \$ 1,771,794

The accompanying notes are an integral part of these statements.

This page intentionally left blank.

---

---

**FUND FINANCIAL STATEMENTS**

---

---

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General Fund	Unrestricted Capital Outlay Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and investments	\$ 1,031,633	\$ 374,366	\$ 137,767
Accounts receivable	3,900	-	-
Refundable deposit	-	-	-
Property taxes receivable	80,185	4,220	8,931
Due from other governments	92,961	2,335	-
Prepaid expenses	3,197	-	-
<b>Total assets</b>	<b>\$ 1,211,876</b>	<b>\$ 380,921</b>	<b>\$ 146,698</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 44,381	\$ 2,081	\$ -
Due to other governments	1,294	49,889	-
Accrued payroll and benefits	57,430	-	-
Interest payable	-	-	28,284
Bonds payable	-	-	100,000
Advances from grantors	-	-	-
<b>Total liabilities</b>	<b>103,105</b>	<b>51,970</b>	<b>128,284</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property tax	45,826	4,220	8,931
<b>Total liabilities and deferred inflows of resources</b>	<b>148,931</b>	<b>56,190</b>	<b>137,215</b>
<b>Fund balances:</b>			
Nonspendable:			
Prepays	3,197	-	-
Restricted:			
Debt service	-	-	9,483
Capital outlay	-	324,731	-
Food service	-	-	-
Voter approved initiatives	-	-	-
Other purposes	-	-	-
Unassigned	1,059,748	-	-
<b>Total fund balances</b>	<b>1,062,945</b>	<b>324,731</b>	<b>9,483</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,211,876</b>	<b>\$ 380,921</b>	<b>\$ 146,698</b>

The accompanying notes are an integral part of these statements.

Other Governmental Funds	Total Governmental Funds
\$ 344,355	\$ 1,888,121
-	3,900
14,317	14,317
-	93,336
77,561	172,857
-	3,197
<u>436,233</u>	<u>2,175,728</u>

\$ 12,392	\$ 58,854
14,573	65,756
10,399	67,829
-	28,284
-	100,000
1,423	1,423
<u>38,787</u>	<u>322,146</u>

-	58,977
<u>38,787</u>	<u>381,123</u>

-	3,197
-	9,483
11,429	336,160
85,860	85,860
157,356	157,356
142,801	142,801
-	1,059,748
<u>397,446</u>	<u>1,794,605</u>

<u>\$ 436,233</u>	<u>\$ 2,175,728</u>
-------------------	---------------------

The accompanying notes are an integral part of these statements.

This page intentionally left blank.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>Fund balances - total governmental funds</b>	<b>\$ 1,794,605</b>
<p>Amounts reported on governmental activities in the <i>Statement of Net Position</i> are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund statements.</p>	6,619,302
<p>Property tax revenues reported in the <i>Statement of Activities</i> that do not provide current financial resources are not reported as revenues in the governmental fund statements.</p>	58,977
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental fund statements.</p>	
Deferred outflows of resources related to pensions	1,186,036
Deferred inflows of resources related to pensions	(684,939)
<p>Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the governmental fund statements.</p>	
Bonds payable	(1,290,000)
Net pension liability	(5,140,910)
Capital leases	(624,547)
Compensated absences	(146,730)
	(7,202,187)
<b>Net position of governmental activities</b>	<b><u>\$ 1,771,794</u></b>

The accompanying notes are an integral part of these statements.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Unrestricted Capital Outlay Fund</u>	<u>Debt Service Fund</u>
<b>Revenues:</b>			
Property taxes	\$ 1,330,766	\$ 68,652	\$ 144,615
State aid and grants	2,045,266	15,056	-
Federal aid and grants	146,792	-	-
Other local revenue	<u>1,014,823</u>	<u>14,271</u>	<u>11,225</u>
<b>Total revenues</b>	<u>4,537,647</u>	<u>97,979</u>	<u>155,840</u>
<b>Expenditures:</b>			
Current:			
Instruction	2,016,496	111,798	400
Support services - students and staff	518,438	11,533	-
Support services - administration	793,798	11,858	-
Operation and maintenance of plant	596,235	5,009	-
Student transportation services	489,818	743	-
Operation of non-instructional services	5,925	-	-
Capital outlay	16,231	25,506	-
Debt service:			
Principal	-	47,579	100,000
Interest	<u>-</u>	<u>4,722</u>	<u>56,569</u>
<b>Total expenditures</b>	<u>4,436,941</u>	<u>218,748</u>	<u>156,969</u>
Excess (deficiency) of revenues over expenditures	100,706	(120,769)	(1,129)
<b>Other financing sources (uses):</b>			
Transfers in	50,959	-	-
Transfers out	<u>(47,500)</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>3,459</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	104,165	(120,769)	(1,129)
<b>Fund balances, July 1, 2016</b>	<u>958,780</u>	<u>445,500</u>	<u>10,612</u>
<b>Fund balances, June 30, 2017</b>	<u>\$ 1,062,945</u>	<u>\$ 324,731</u>	<u>\$ 9,483</u>

The accompanying notes are an integral part of these statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,544,033
396,634	2,456,956
811,141	957,933
<u>228,392</u>	<u>1,268,711</u>
<u>1,436,167</u>	<u>6,227,633</u>
766,560	2,895,254
109,674	639,645
71,134	876,790
110,742	711,986
26,920	517,481
314,274	320,199
68,881	110,618
32,147	179,726
<u>31,033</u>	<u>92,324</u>
<u>1,531,365</u>	<u>6,344,023</u>
(95,198)	(116,390)
47,500	98,459
<u>(50,959)</u>	<u>(98,459)</u>
<u>(3,459)</u>	<u>-</u>
(98,657)	(116,390)
<u>496,103</u>	<u>1,910,995</u>
<u>\$ 397,446</u>	<u>\$ 1,794,605</u>

The accompanying notes are an integral part of these statements.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

**Net change in fund balances - total governmental funds** **\$ (116,390)**

Amounts reported in the governmental activities in the *Statement of Activities* are different because:

Governmental funds report capital outlays as expenditures. However, in the *Statement of Activities*, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	110,618
Depreciation	(401,375)
Disposal of capital assets	(4,142)

Property taxes and other receipts in the *Statement of Activities* that do not provide current financial resources are not reported as revenues in the governmental funds.

Prior year unavailable property tax	(56,808)
Current year unavailable property tax	58,977

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the *Statement of Net Position* because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the *Statement of Activities*.

Pension contribution	355,759
Pension expense	(589,694)

Some expenses reported on the *Statement of Activities* do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Bonds payable	100,000
Capital leases	79,726
Compensated absences	8,309
	8,309

**Change in net position of governmental activities** **\$ (455,020)**

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2017**

	Agency Funds		
	Student Activities	Employee Withholding	Total
<b>ASSETS</b>			
Cash in bank	\$ 9,145	\$ 188,874	\$ 198,019
<b>Total assets</b>	<u>\$ 9,145</u>	<u>\$ 188,874</u>	<u>\$ 198,019</u>
<b>LIABILITIES</b>			
Due to student groups	\$ 9,145	\$ -	\$ 9,145
Deposits held for others	<u>-</u>	<u>188,874</u>	<u>188,874</u>
<b>Total liabilities</b>	<u>\$ 9,145</u>	<u>\$ 188,874</u>	<u>\$ 198,019</u>

The accompanying notes are an integral part of these statements.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Mayer Unified School District No. 43 (District) has prepared the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

**A. Reporting Entity**

The District is a special-purpose government that is governed by a separately elected governing board. The governing board is organized under section 15-321 of the Arizona Revised Statutes (ARS), it is legally separate from and fiscally independent of other state and local governments. Consequently, the District's financial statements present only the activities of those organizational entities for which its elected governing board is financially accountable.

The Governing Board is organized under §15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. 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 District's major operations include education, student transportation, food service, and maintenance of District facilities.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, §'s 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Accordingly, for the year ending June 30, 2017, the District does not have any component units and is not a component unit of any other reporting entity.

**B. Basis of Presentation**

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements focus on the District as a whole, while the fund financial statements focus on fund reporting. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Government-Wide Financial Statements** - Provide information about the primary government (the District). The statements include a *Statement of Net Position* and a *Statement of Activities*. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the District's governmental and any business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not have any business type activities.

A *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segments of any business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers for goods, services, or privileges provided
- operating grants and contributions
- capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fiduciary Funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. As such, these funds are omitted from the government-wide statements.

**Fund Financial Statements** - Provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds. Any fiduciary funds are aggregated and reported by fund type. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District's accounts are organized into major governmental funds, other governmental funds, and fiduciary funds as follows:

**Major Governmental Funds:**

**General Fund** - to account for all resources used to finance District operations except those required to be accounted for in other funds. The General Fund as presented includes the District's Maintenance and Operation Fund and other special revenue funds that do not have a substantial restriction on expenditures.

**Unrestricted Capital Outlay Fund** - to account for transactions relating to the acquisition of capital items by purchase, lease-purchase, or lease as prescribed by A.R.S. §15-903(C).

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

**Other Governmental Funds:**

**Special Revenue Funds** - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Capital Project Funds** - to account for the acquisition and construction of all major governmental general capital assets.

**Fiduciary Funds:**

**Agency Funds** - to account for assets of others for which the District acts as an agent. The District maintains two agency funds to account for student club activities and employee withholdings. The Student Activities Fund accounts for monies raised by students to finance student clubs and the Employee Insurance Program Withholdings Fund accounts for unremitted payroll deductions temporarily held by the District.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting**

**Government-wide Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the District funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The District applies grant resources to such programs before using general revenues.

**Governmental Fund Financial Statements** - Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Major revenue sources that are susceptible to accrual are property taxes, tuition, intergovernmental grants and aids, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. As permitted by generally accepted accounting principles it is the District's policy to apply the "early recognition" option for debt service payments. Property tax resources are provided in the Debt Service Fund during the current year for the payment of any debt service principal and interest due early in the following year (usually one to several days, up to one month). Therefore, the expenditures and related liabilities have been recognized in the current period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**D. Expenses and Expenditures**

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, expenditures are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long term debt due the first day (July 1) in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental fund statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Cash and Investments**

For the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

Arizona Revised Statutes require the District to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash in the bond building and debt service funds, which may be invested separately.

Statute authorizes the District to separately invest monies of the bond building and debt service funds in the State Treasurer's investment pool, obligations issued or 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. The District may also invest these monies. 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.

**F. Property Taxes**

The Yavapai 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 Arizona Revised Statutes, 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. The property tax lien is only for the amount of delinquent taxes, interest and other fees. An "Action to Foreclose" filed in the Arizona Superior Court three years from the sale of the lien is the only method to compel payment.

The District does not report a reserve for uncollectible property taxes as they are considered 100 percent collectible due to the County attaching a lien against all amounts past due as noted above.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are accounted for using the consumption method (expensed when consumed).

**H. Capital Assets**

Capital assets are reported in the government-wide financial statements. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) are \$5,000 for all assets.

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

Land improvements	5 - 50 years
Buildings and improvements	10 - 60 years
Vehicles, furniture, and equipment	5 - 30 years

**I. Deferred Outflows and Inflows of Resources**

The *Statement of Net Position* and *Balance Sheet* include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods. Delinquent property taxes that will not be collected within the 60 day availability period are reported as deferred inflows of resources in the governmental fund financial statements.

**J. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the 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.

**K. Advances from Grantors**

Advances from grantors arise when assets are received before revenue recognition criteria have been satisfied. Advances from grantors generally comprise of federal and state entitlement revenues received before eligibility requirements are met.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Compensated Absences**

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

**M. Investment Income**

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements. Interest earned from investments purchased with pooled monies is allocated to each of the District's funds based on their average balances.

**N. Interfund Activity**

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

**O. Federal Revenue Sources**

The District receives federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**P. Net Position**

In the government-wide financial statements, net position is reported in three components:

**Net investment in capital assets** - Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding debt used to acquire, construct, or improve these assets.

**Restricted** - Restricted net position is reported when constraints placed on the net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by state legislation.

**Unrestricted** - Unrestricted net position is used to account for the net position balance that does not meet the definition of either of the first two categories of net position.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**Q. Fund Balance Classifications**

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

**Nonspendable fund balance** - Amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories and prepaid expenses.

**Restricted fund balance** - Amounts with constraints placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or state legislation.

**Committed fund balance** - Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Governing Board. These amounts cannot be used for any other purposes unless the Governing Board removes or changes the specific purpose by taking the same kind of formal action previously used to commit these amounts. Adoption of the annual budget does not constitute a commitment as appropriations lapse at year end without Governing Board action. This also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned fund balance** - Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the Governing Board or body or official to which the Governing Board has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balance in governmental funds, other than the General Fund, includes all spendable amounts that are not restricted or committed, if that amount is positive. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by the formal Governing Board action. The District does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

**Unassigned fund balance** - Spendable amounts in the General Fund that are not restricted, committed or assigned. The General Fund is the only fund that may report a positive unassigned fund balance amount. For governmental funds other than the General Fund, negative fund balances are reported here if restricted, committed, or assigned amounts exceed total spendable fund balance.

**Hierarchy for use of fund balances** - When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the District uses restricted fund balance first. For the disbursement of unrestricted fund balances, the District uses committed amounts first, followed by assigned amounts, and, lastly, unassigned amounts.

**R. Estimates**

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

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 - CASH AND INVESTMENTS**

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the District's cash deposits may not be returned. The District does not have an adopted policy for custodial credit risk. As of June 30, 2017, the carrying amount (reported) cash balance was \$203,419 (\$5,400 reported within the governmental funds and \$198,019 reported in the fiduciary funds), while the total bank balance was \$278,651 which was fully insured by the Federal Deposit Insurance Corporation (FDIC) and the collateral described below. The FDIC protects the District against loss on the first \$250,000 of deposits per bank. Any deposits of cash deposits in excess of \$250,000 are covered by collateral held by the pledging financial institution's trust department in the District's name.

Arizona statute requires eligible depositories that accept public monies to participate in the pooled collateral program for public deposits. The Statewide Collateral Pool Administrator (Administrator) is responsible for ensuring that eligible depositories have posted 102% collateral for each public depositor in excess of any federally insured deposits. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured against loss. 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.

***Custodial Credit Risk - External Investment Pool.*** Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of deposits that are in possession of an outside party. A.R.S. §15-996, authorizes the Yavapai County Treasurer to receive and hold all District monies and pool the monies with other school districts for investment purposes. As of June 30, 2017, the District reported \$1,882,721 on deposit with the Yavapai County Treasurer's Investment Pool (YCTIP). The YCTIP is an external investment pool with no regulatory oversight. The YCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. The Yavapai County Treasurer invests the cash in a pool under policy guidelines established by the County. The Yavapai County Treasurer accounts for the investment pool in their Fiduciary Investment Trust Fund. Interest rate risk, credit risk, custodial credit risk and concentration of credit risk regarding the YCTIP are included in the Comprehensive Annual Financial Report of Yavapai County. The fair value of each participant's position in the YCTIP approximates the value of the participant's shares in the pool and the District's 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.

***Interest Rate Risk.*** Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have an adopted investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk.*** Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices than what is allowable per A.R.S.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 - DUE FROM OTHER GOVERNMENTS**

Receivable balances have been disaggregated by type and presented separately in the financial statements with the exception of the amounts due from other governments. The District's due from other governments as of June 30, 2017, are as follows:

	<u>General Fund</u>	<u>Unrestricted Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Due from local governments:</b>				
Due from other districts	\$ 69,607	\$ -	\$ -	\$ 69,607
<b>Due from state government:</b>				
State equalization	14,573	-	-	14,573
State grants	-	2,335	-	2,335
SFB construction commitments	-	-	1,400	1,400
<b>Due from federal government:</b>				
Federal grants	8,781	-	65,218	73,999
Child nutrition	-	-	10,943	10,943
<b>Total due from other governments</b>	<u>\$ 92,961</u>	<u>\$ 2,335</u>	<u>\$ 77,561</u>	<u>\$ 172,857</u>

**NOTE 4 - ADVANCES FROM GRANTORS**

Governmental funds report advances from grantors for assets that are transferred to the District prior to the District fulfilling all program requirements that would entitle them to recognize the revenue. As of June 30, 2017, the advances from grantors reported in the governmental funds were as follows:

<b>Other Governmental Funds:</b>	
Advances from state grants	\$ 62
Advances from federal grants	<u>1,361</u>
Total Other Governmental Funds:	<u>1,423</u>
<b>Total advances from grantors</b>	<u>\$ 1,423</u>

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 - CAPITAL ASSETS**

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

<u>Governmental activities:</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>Non-depreciable capital assets:</b>				
Land	\$ 279,998	\$ -	\$ -	\$ 279,998
Construction in progress	98,894	2,700	(98,894)	2,700
Total non-depreciable capital assets	<u>378,892</u>	<u>2,700</u>	<u>(98,894)</u>	<u>282,698</u>
<b>Depreciable capital assets:</b>				
Land improvements	852,284	36,570	(1,226)	887,628
Buildings and improvements	8,712,240	6,914	(11,236)	8,707,918
Vehicles, furniture, and equipment	2,326,098	163,328	(124,299)	2,365,127
Total depreciable capital assets	<u>11,890,622</u>	<u>206,812</u>	<u>(136,761)</u>	<u>11,960,673</u>
Less accumulated depreciation for:				
Land improvements	(162,982)	(31,087)	1,226	(192,843)
Buildings and improvements	(3,749,625)	(234,308)	7,094	(3,976,839)
Vehicles, furniture, and equipment	(1,442,706)	(135,980)	124,299	(1,454,387)
Total accumulated depreciation	<u>(5,355,313)</u>	<u>(401,375)</u>	<u>132,619</u>	<u>(5,624,069)</u>
Total depreciable capital assets, net	<u>6,535,309</u>	<u>(194,563)</u>	<u>(4,142)</u>	<u>6,336,604</u>
<b>Total capital assets, net</b>	<u>\$ 6,914,201</u>	<u>\$ (191,863)</u>	<u>\$ (103,036)</u>	<u>\$ 6,619,302</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 206,557
Support services - students and staff	2,686
Support services - administration	20,169
Operation and maintenance of plant	74,352
Student transportation services	85,658
Operations of non-instructional services	11,953
Total depreciation expense	<u>\$ 401,375</u>

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 - INTERFUND TRANSFERS**

The following is a summary of interfund transfers reported as of June 30, 2017:

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 50,959	\$ 47,500
Other Governmental Funds	47,500	50,959
Total	<u>\$ 98,459</u>	<u>\$ 98,459</u>

The transfers were made to 1) move indirect costs of \$50,959 from federal grant funds and Food Service Fund to the Indirect Costs Fund, which is grouped within the General Fund; and to 2) transfer \$47,500 of energy savings from the Maintenance and Operation Fund to the Energy and Water Savings Fund.

**NOTE 7 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2017:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 1,485,000	-	\$ (95,000)	\$ 1,390,000	\$ 100,000
Net pension liability	5,042,636	1,829,508	(1,731,234)	5,140,910	-
Capital leases	704,273	-	(79,726)	624,547	83,484
Compensated absences	155,039	92,842	(101,151)	146,730	25,000
Total	<u>\$ 7,386,948</u>	<u>\$ 1,922,350</u>	<u>\$ (2,007,111)</u>	<u>\$ 7,302,187</u>	<u>\$ 208,484</u>

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 - BONDS PAYABLE**

Bonds payable at June 30, 2017, consisted of the following outstanding school improvement and refunding revenue bonds. The bonds are noncallable with interest payable semiannually. Revenues recorded in the Debt Service Fund are used to pay bonded debt.

Bonds payable at June 30, 2017, are as follows:

<u>Governmental activities:</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2017</u>	<u>Due Within One Year</u>
School improvement bonds:					
Series 2008 (Class B)	\$ 2,000,000	3.625-4.125%	7/1/17-27	<u>\$ 1,390,000</u>	<u>\$ 100,000</u>

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017, are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 100,000	\$ 56,569	\$ 156,569
2019	105,000	52,944	157,944
2020	110,000	48,744	158,744
2021	115,000	44,344	159,344
2022	120,000	39,600	159,600
2023-2027	685,000	119,419	804,419
2028	155,000	6,394	161,394
Total	<u>\$ 1,390,000</u>	<u>\$ 368,014</u>	<u>\$ 1,758,014</u>

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 - 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. The 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 its website at [www.azasrs.gov](http://www.azasrs.gov).

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

Retirement initial membership date:

	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and ages equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years after 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 percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. 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 retirement benefit option chosen determines the survivor benefit. 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.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 - 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 year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. In addition, the District is required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who may have worked for the District in positions an employee who contributes to the ASRS would typically fill. The District's contributions to the pension and OPEB for the current and two preceding years all of which were equal to the required contributions, were as follows:

Year ended June 30	Retirement Fund	Health Insurance Premium Benefit	Long-Term Disability Fund	Alternative Required Contribution	Total Contributions
2017	\$ 297,219	\$ 15,440	\$ 3,860	\$ 39,240	\$ 355,759
2016	295,709	15,361	3,287	25,502	339,859
2015	292,537	15,197	3,218	31,775	342,727

During fiscal year ending June 30, 2017, the District paid for pension and OPEB contributions as follows:

Fund:	Pension and OPEB Contribution	Percentage by Fund
General Fund	\$ 268,291	75.41 %
Other Governmental Funds	87,468	24.59 %
Total	\$ 355,759	100.00 %

**Pension liability** - At June 30, 2017, the District reported a liability of \$5,140,910 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016.

The District's proportion of the net pension 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, 2016. The District's proportion measured as of June 30, 2016, was 0.0319 percent, which was a decrease of 0.0005 percent from its proportion measured as of June 30, 2015.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Pension expense and deferred outflows/inflows of resources** - For the year ended June 30, 2017, the District recognized pension expense for ASRS of \$589,694. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,241	\$ 353,657
Changes in assumptions or other inputs	-	271,995
Net difference between projected and actual earnings on pension plan investments	557,104	-
Changes in proportion and differences between District contributions and proportionate share of contributions	241,932	59,287
District contributions subsequent to the measurement date	355,759	-
Total	\$ 1,186,036	\$ 684,939

The \$355,759 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	Deferred Outflows (Inflows)
2018	\$ (57,802)
2019	(174,680)
2020	221,609
2021	156,210

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increase	3.00 - 6.75%
Inflation	3.00%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58.00 %	6.73 %
Fixed income	25.00 %	3.70 %
Real estate	10.00 %	4.25 %
Multi-asset	5.00 %	3.41 %
Commodities	2.00 %	3.84 %
Total	<u>100.00 %</u>	

**Discount rate** - The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (concluded)**

**Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate** - The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	\$ 6,555,051	\$ 5,140,910	\$ 4,007,078

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

**Pension contributions payable** - The District's accrued payroll and employee benefits included \$4,132 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2017.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 - CAPITAL LEASE**

The District has acquired school buses, and an energy conservation system under the provisions of long-term lease agreements classified as capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at present value of the future minimum lease payments as of the inception dates. Revenues from the Unrestricted Capital Outlay Fund, a major capital projects fund, are used for payment of the capital lease obligations.

The asset capitalized and acquired through a capital lease is as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Building improvements	\$ 607,050
Furniture, vehicles, and equipment	<u>248,561</u>
Total assets	855,611
Less accumulated depreciation	<u>(170,771)</u>
Total assets, net	<u>\$ 684,840</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>
2018	\$ 115,879
2019	90,457
2020	90,797
2021	64,598
2022	64,872
Thereafter	<u>391,840</u>
Total minimum lease payments	818,443
Less: amount representing interest	<u>(193,896)</u>
Present value of minimum lease payments	<u>\$ 624,547</u>

**NOTE 11 - OPERATING LEASE**

The District has an operating lease to rent 2.52 acres adjacent to the District's high school property for the placement of an electronic reader board sign. The lease is for four (4) years, eleven (11) months commencing on March 13, 2013, and ending February 13, 2018. The agreement may be renewed for additional terms upon mutual agreement of the parties. The District agreed to pay the owner \$1,400 per year, due April 1 each year.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 is a member of the Arizona School Risk Retention Trust, Inc (ASRRT), together with other school districts in the state. ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for member school districts. 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.

For employee health insurance, the District is a member of the Arizona School Boards Association Insurance Trust (ASBAIT), together with other school districts. ASBAIT was established in 1981 by the Arizona School Board Association. Its formation was in response to Arizona school administrators desire to obtain comprehensive health benefits at reasonable costs. ASBAIT operates by an "Agreement and Declaration of Trust" in accordance with the laws of the State of Arizona, including, without limitation, §15-382 A.R.S. The agreement provides that ASBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The District carries commercial insurance for workers' compensation through The Alliance.

The District joined the Rural Schools Employee Benefit Trust (RSEBT) as a member in July 1999. RSEBT is a public entity risk pool currently operating as a common risk management and insurance company for 12 member school districts. Members are provided insurance with commercial carriers at group discounted rates. The District pays an annual premium to the selected vendors for its dental, vision, and life insurance coverage at RSEBT. The agreement provides that RSEBT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts. The District also offers short term disability coverage of six months linkage to long term disability coverage under the State. This short term coverage is paid to Met Life Insurance.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

**NOTE 13 - CONTINGENT LIABILITIES**

**Federal grants** - In the normal course of operations, the District receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed by District officials to be material.

**Litigation** - Each year the District receives notices of claims for damages occurring generally from negligence, bodily injury, breach of contract, and other legal matters. The filing of such claims commences a statutory period for initiating a lawsuit against the District arising therefrom. The District has comprehensive general liability insurance with the ASRRT. The District is not aware of any litigation that might result in a materially adverse outcome.

This page is intentionally left blank.

---

---

**REQUIRED SUPPLEMENTARY INFORMATION**

---

---

This page is intentionally left blank.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		(Non-GAAP)	<u>Variance</u>
	<u>Adopted</u>	<u>Final</u>	Actual Amounts	
<b>Revenues:</b>				
Property taxes	\$ 1,346,853	\$ 1,408,419	\$ 1,330,766	\$ (77,653)
State aid and grants	2,069,991	2,164,611	2,045,266	(119,345)
Other local revenue	983,976	1,028,954	972,223	(56,731)
<b>Total revenues</b>	<u>4,400,820</u>	<u>4,601,984</u>	<u>4,348,255</u>	<u>(253,729)</u>
<b>Expenditures:</b>				
<b>Regular education:</b>				
Instruction	1,544,981	1,751,906	1,300,062	451,844
Support services - students and staff	168,241	168,242	191,945	(23,703)
Support services - administration	615,887	615,887	649,435	(33,548)
Operation and maintenance of plant	571,363	571,363	564,257	7,106
Operation of non-instructional services	-	-	5,837	(5,837)
Cocurricular and athletic activities	1,797	1,797	6,423	(4,626)
Athletics	121,982	121,982	116,689	5,293
<b>Total regular education</b>	<u>3,024,251</u>	<u>3,231,177</u>	<u>2,834,648</u>	<u>396,529</u>
<b>Special education:</b>				
Instruction	536,246	528,492	545,711	(17,219)
Support services - students and staff	169,102	169,102	179,467	(10,365)
Support services - administration	46,877	46,877	57,320	(10,443)
Operation and maintenance of plant	-	-	208	(208)
<b>Total special education</b>	<u>752,225</u>	<u>744,471</u>	<u>782,706</u>	<u>(38,235)</u>
<b>Student transportation services:</b>				
Student transportation services	559,823	559,823	462,020	97,803
<b>K-3 reading program:</b>				
Instruction	20,949	20,949	20,949	-
<b>Total expenditures</b>	<u>4,357,248</u>	<u>4,556,420</u>	<u>4,100,323</u>	<u>456,097</u>
Excess of revenues over expenditures	<u>43,572</u>	<u>45,564</u>	<u>247,932</u>	<u>202,368</u>
<b>Other financing uses:</b>				
Transfers out	-	-	(47,500)	(47,500)
<b>Net changes in fund balances</b>	43,572	45,564	200,432	154,868
<b>Fund balance, July 1, 2016</b>	<u>373,885</u>	<u>373,885</u>	<u>373,885</u>	<u>-</u>
<b>Fund balance (non-GAAP), June 30, 2017</b>	<u>\$ 417,457</u>	<u>\$ 419,449</u>	574,317	<u>\$ 154,868</u>
Less prior year encumbrance prepaids			(70,031)	
Add prior year accrued payroll			<u>19,073</u>	
<b>Fund balance (GAAP), June 30, 2017</b>			<u>\$ 523,359</u>	

See note accompanying this schedule.

This page intentionally left blank.

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2017**

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
District's proportion of the net pension liability	0.03 %	0.03 %	0.03 %	Information not available
District's proportionate share of the net pension liability	\$ 5,140,910	\$ 5,042,636	\$ 4,350,094	
District's covered payroll	\$ 3,135,683	\$ 3,105,640	\$ 2,774,550	
District's proportionate share of the net pension liability as a percentage of its covered payroll	163.95 %	162.37 %	156.79 %	
Plan fiduciary net position as a percentage of the total pension liability	67.06 %	68.35 %	69.49 %	

**MAYER UNIFIED SCHOOL DISTRICT NO. 43  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
JUNE 30, 2017**

Arizona State Retirement System	Reporting Fiscal Year		
	2017	2016	2015
Statutorily required contribution	\$ 355,759	\$ 339,859	\$ 342,727
District's contributions in relation to the statutorily required contribution	<u>355,759</u>	<u>339,859</u>	<u>342,727</u>
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,271,239	\$ 3,135,683	\$ 3,105,640
District's contributions as a percentage of covered payroll	<u>10.88 %</u>	<u>10.84 %</u>	<u>11.04 %</u>

<u>Reporting Fiscal Year</u>	
<u>2014</u>	<u>2013 through 2007</u>
\$ 304,411	Information not available
<u>304,411</u>	
<u>\$ -</u>	
\$ 2,774,550	
<u>10.97 %</u>	

**MAYER UNIFIED SCHOOL DISTRICT NO. 43**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

**NOTE 1 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

- A. The General Fund, as reported in the budgetary comparison schedule, includes the District's Maintenance and Operation Fund (M&O) in addition to several other District funds consistent with accounting principles generally accepted in the United States of America. In accordance with Arizona Revised Statutes, the District is required to budget expenditures at the individual fund level.
- B. Expenditures that are allowable for budget reporting but not allowable as expenditures within the scope of generally accepted accounting standards are detailed and reconciled at the bottom of the following table.

The following schedules presents revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance in order to present the District's M&O Fund detail, the main budgetary fund for the District per Arizona Revised Statutes, separately for analysis.

	<b>General Fund</b>				
	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources and Uses</u>	<u>Beginning Fund Balance</u>	<u>Ending Fund Balance</u>
Maintenance and Operation Fund	\$ 4,348,255	\$ 4,151,281	\$ (47,500)	\$ 373,885	\$ 523,359
Budgeted special revenue funds reported within the general fund	189,392	285,660	50,959	584,895	539,586
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds - GAAP	<u>4,537,647</u>	<u>4,436,941</u>	<u>3,459</u>	<u>958,780</u>	<u>1,062,945</u>
Less prior year encumbrance prepaids		(70,031)			70,031
Add prior year accrued payroll		19,073			(19,073)
Budgetary Comparison Schedule - General Fund - Non-GAAP	<u>\$ 4,537,647</u>	<u>\$ 4,385,983</u>	<u>\$ 3,459</u>	<u>\$ 958,780</u>	<u>\$ 1,113,903</u>