

**WINDOW ROCK UNIFIED
SCHOOL DISTRICT NO. 8**

**SINGLE AUDIT REPORTING PACKAGE
FOR THE FISCAL YEAR
ENDED JUNE 30, 2016**

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**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8

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Independent Auditor's Report

Governing Board
Window Rock Unified School District No. 8

Report on the financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Window Rock Unified School District No. 8 (District), as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant 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 Window Rock Unified School District No. 8 as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2017 on our consideration of the Window Rock Unified School District No. 8's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Window Rock Unified School District No. 8's internal control over financial reporting and compliance.

Hafen, Buckner, Everett & Graff

HAFEN, BUCKNER, EVERETT & GRAFF, P.C.
February 20, 2017

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

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

As management of the Window Rock Unified School District No. 8 (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, 2016. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities increased \$1.8 million, which represents a two percent increase over the prior fiscal year.
- General revenues accounted for \$24.3 million in revenue, or 82 percent of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.5 million or 18 percent of total current fiscal year revenues.
- The District had approximately \$28.0 million in expenses related to governmental activities, a less than one percent decrease from the prior fiscal year.
- Among major funds, the General Fund had \$23.5 million in current fiscal year revenues, which primarily consisted of federal aid, state aid and local revenues. The General Fund also had \$17.7 million in expenditures and net transfers. The Title I Grants Fund had \$1.2 million in federal aid revenues and corresponding expenditures. The Impact Aid Revenue Bond Debt Service Fund had \$2.7 million in expenditures related to the repayment of bonds.
- Net assets for the Internal Service Fund decreased \$1.1 million from the prior fiscal year. Operating expenses of \$3.1 million exceeded operating revenues of \$2.0 million at the end of the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

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

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

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

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Title I Grants Fund, Teacherage Fund and Impact Aid Revenue Bond Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balance - budget and actual has been provided for the General Fund and major special revenue funds as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76 million at the end of the current fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt,

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors.

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2016 and June 30, 2015.

	As of June 30, 2016	As of June 30, 2015
Current and other assets	\$ 24,912,533	\$ 20,489,444
Capital assets, net	91,551,975	96,493,048
Total assets, net	<u>116,464,508</u>	<u>116,982,492</u>
Deferred outflows	<u>1,635,935</u>	<u>2,136,180</u>
Current and other liabilities	5,636,639	4,668,454
Long-term obligations outstanding	32,042,166	34,625,855
Total liabilities	<u>37,678,805</u>	<u>39,294,309</u>
Deferred inflows	<u>4,429,488</u>	<u>6,474,091</u>
Net position:		
Invested in capital assets, net of related debt	78,226,975	81,048,048
Restricted	6,795,052	5,230,905
Unrestricted	<u>(9,029,877)</u>	<u>(12,928,681)</u>
Total net position	<u>\$ 75,992,150</u>	<u>\$ 73,350,272</u>

At the end of the current fiscal year the District reported a negative unrestricted net position of \$9 million. The deficit arose because of the prior year implementation of GASB Statement No. 68, which required the District to record a liability for its proportionate share of the state pension plan's unfunded liability. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

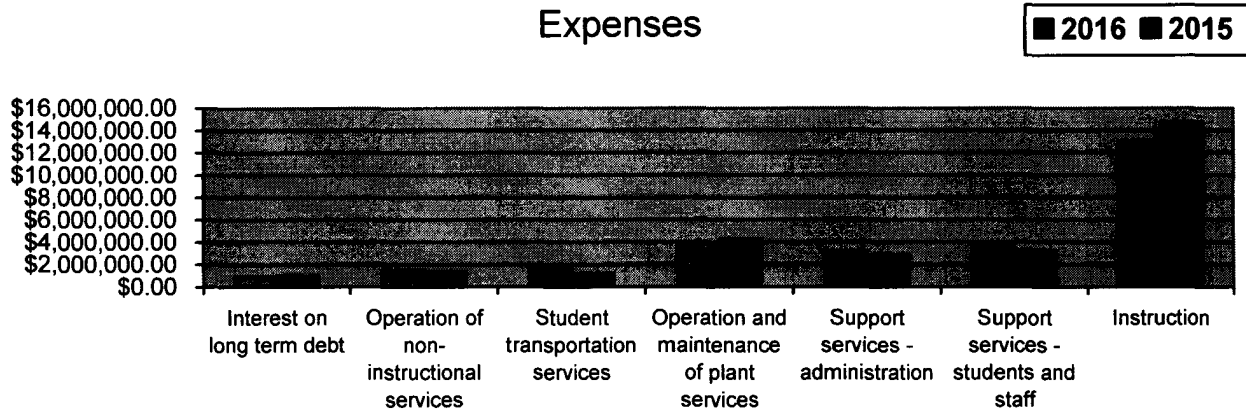
- The depreciation expense of existing assets resulting in the addition of \$5.3 million in accumulated depreciation.
- The principal retirement of \$2.1 million of bonds.

Changes in net position. The District's total revenues for the fiscal year ended June 30, 2016, were \$30.0 million. The total cost of all programs and services was \$28.0 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015
Revenues:		
Program revenues:		
Charges for services	\$ 831,500	\$ 1,020,803
Operating grants and contributions	4,031,465	4,382,003
Capital grants and contributions	619,263	406,402
General revenues:		
Property taxes	270,592	250,519
Investment income	75,840	232,988
County aid	585,035	684,870
State aid	9,287,264	10,002,847
Federal aid	14,074,434	13,142,337
Total revenues	<u>29,775,393</u>	<u>30,122,769</u>
Expenses:		
Instruction	13,047,282	14,667,638
Support services - students and staff	3,839,592	3,262,172
Support services – administration	3,188,126	2,881,171
Operation and maintenance of plant services	3,880,360	4,305,319
Student transportation services	1,628,797	1,201,762
Operation of non-instructional services	1,464,965	1,408,161
Interest on long-term debt	913,847	1,008,254
Total expenses	<u>27,962,969</u>	<u>28,734,477</u>
Change in net position	<u>1,812,424</u>	<u>1,388,292</u>
Net position, beginning	<u>74,179,726</u>	<u>71,961,980</u>
Net position, ending	<u>\$ 75,992,150</u>	<u>\$ 73,350,272</u>

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)



The following table presents the cost of the seven major District functional activities: instruction, support services - students and staff, support services - administration, operation and maintenance of plant services, student transportation services, operation of non-instructional services and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	Year Ended June 30, 2015		Year Ended June 30, 2015	
	Total Expenses	Net(Expense)/Revenue	Total Expenses	Net(Expense)/Revenue
Instruction	\$ 13,047,282	\$ (10,636,605)	\$ 14,667,638	\$ (12,968,205)
Support services - students and staff	3,839,592	(2,641,026)	3,262,172	(2,296,579)
Support services – administration	3,188,126	(2,911,072)	2,881,171	(2,383,416)
Operation and maintenance of plant services	3,880,360	(3,619,300)	4,305,319	(3,961,718)
Student transportation services	1,628,797	(1,617,565)	1,301,762	(1,201,762)
Operation of non- instructional services	1,464,965	(141,326)	1,408,161	78,676
Interest on long-term debt	913,847	(913,847)	1,008,254	(192,265)
Total	\$ 27,962,969	\$ (22,480,741)	\$ 28,734,477	\$ (22,925,269)

- The cost of all governmental activities this year was \$28.0 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$5.5 million.
- Net cost of governmental activities (\$22.5 million) was financed by general revenues, which were made up of primarily federal, state, and county aid \$24.3 million.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$21.2 million, an increase of \$3.7 million due primarily to the District's continuation of cost control measures.

The General Fund comprises 69 percent of the total fund balance. Approximately \$14.3 million or 98 percent of the General Fund's fund balance constitutes unassigned fund balance.

The General Fund is the principal operating fund of the District. The increase in fund balance of \$3.2 in the General Fund to \$14.5 million was a result of continued cost control measures by the District. General fund revenues approximated prior year revenues. General fund expenditures increased \$538,369 due primarily to increased insurance cost.

The fund balance changes in the Title I Grants fund, the Teacherage Fund, and the Impact Aid Revenue Bond Debt Service Fund were not significant for the 2015-16 fiscal year.

Proprietary funds. Unrestricted net assets of the Internal Service Fund at the end of the year amounted to a deficit of \$1,530,273. The decrease of \$1,051,146 from the prior fiscal year was primarily due to claims and other expenses exceeding contributions received during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget for changes in student enrollment. The difference between the original budget and the final amended budget was a decrease of \$1,386,678, or 10.2 percent.

Significant budget to actual variances for the District's revenues were because the State of Arizona does not require the preparation of a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances can be seen on that schedule. The favorable variances of \$323,139 in instruction, \$352,660 in operation and maintenance of plant services, and \$311,818 in student transportation were a result of the District's less than anticipated costs related to various cost saving measures.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District had invested \$169.8 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$381,844 from the prior fiscal year, primarily due to equipment purchases. Total depreciation expense for the year was \$5.4 million.

The following schedule presents capital asset balances net of depreciation for the fiscal years ended June 30, 2016 and June 30, 2015.

	As of June 30, 2016	As of June 30, 2015
Capital assets – non-depreciable	\$ 261,580	\$ 261,580
Capital assets – depreciable, net	91,290,395	96,231,468
Total	<u>\$ 91,551,975</u>	<u>\$ 96,493,048</u>

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

Debt Administration: At year-end, the District had \$15.4 million in long-term debt outstanding, with \$2.1million due within one year. The following table presents a summary of the District's outstanding debt for the fiscal years ended June 30, 2016 and June 30, 2015.

	As of June 30, 2016	As of June 30, 2015
Bonds payable	\$ 15,445,000	\$ 17,555,000
Total	<u>\$ 15,445,000</u>	<u>\$ 17,555,000</u>

The District's general obligation bonds are subject to two limits; the constitutional debt limit (total debt limit) on all general obligation bonds (up to 30 percent of the total secondary assessed valuation) and the statutory debt limit on Class B bonds (the greater of 10 percent of the secondary assessed valuation or \$1,500 per student). The current total debt limitation for the District is \$4.2 million and the Class B debt limit is \$2.8 million, which are more than the District's total outstanding general obligation and Class B debt, respectively.

Additional information on the District's long-term debt can be found in Notes 7 - 9.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2016-17 budget. The primary factors were the fiscal year 2015-16 budget balance carry forward, the District's student population, and employee salaries. Also considered in the development of the budget is the local economy and inflation of the surrounding area.

Budgeted expenditures in the General Fund increased about 6 percent to \$12.9 million in fiscal year 2016-17. State aid and federal aid are expected to be the primary funding sources. No new significant programs were added to the 2016-17 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Window Rock Unified School District No. 8, P. O. Box 559, Fort Defiance, Arizona 86504-0559. The District website is also available at www.wrschool.net.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 18,495,143
Due from governmental entities	5,695,925
Prepaid items	492,224
Inventory	229,241
Total current assets	<u>24,912,533</u>
Noncurrent assets:	
Land	261,580
Land improvements	9,055,251
Buildings and improvements	151,673,804
Vehicles, furniture, and equipment	8,809,611
Accumulated depreciation	<u>(78,248,271)</u>
Total noncurrent assets	<u>91,551,975</u>
Total assets	<u>116,464,508</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension plan items	<u>1,635,935</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	983,558
Deposits held for others	41,670
Claims payable	1,321,555
Accrued payroll and employee benefits	129,172
Compensated absences payable	372,255
Accrued interest payable	434,203
Unearned revenues	234,226
Bonds payable	<u>2,120,000</u>
Total current liabilities	<u>5,636,639</u>
Noncurrent liabilities:	
Non-current portion of long-term obligations	<u>32,042,166</u>
Total non-current liabilities	<u>32,042,166</u>
Total liabilities	<u>37,678,805</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension plan items	<u>4,429,488</u>
 NET POSITION	
Invested in capital assets, net of related debt	78,226,975
Restricted for:	
Federal and state projects	1,157,995
Other local initiatives	2,250,868
Debt service	3,080,413
Capital outlay	305,776
Unrestricted	<u>(9,029,877)</u>
Total net position	<u>\$ 75,992,150</u>

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$13,047,282	\$ 273,727	\$ 1,517,687	\$ 619,263	\$ (10,636,605)
Support services - students and staff	3,839,592	30,475	1,168,091		(2,641,026)
Support services - administration	3,188,126	11,744	265,310		(2,911,072)
Operation and maintenance of plant services	3,880,360	231,311	29,749		(3,619,300)
Student transportation services	1,628,797		11,232		(1,617,565)
Operation of non-instructional services	1,464,965	284,243	1,039,396		(141,326)
Interest on long-term debt	913,847				(913,847)
Total governmental activities	\$27,962,969	\$ 831,500	\$ 4,031,465	\$ 619,263	\$ (22,480,741)
General revenues:					
Taxes:					
Property taxes, levied for debt service					
					270,592
Investment income					
					75,840
Unrestricted County aid					
					585,035
Unrestricted State aid					
					9,287,264
Unrestricted Federal aid					
					14,074,434
Total general revenues					
					24,293,165
Changes in net position					1,812,424
Net position, beginning of year, as restated					74,179,726
Net position, end of year					\$ 75,992,150

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

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FUND FINANCIAL STATEMENTS

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Title I Grants	Teachercage	Impact Aid Revenue Bond Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Assets:						
Cash and investments	\$ 9,163,901	\$	\$ 2,132,466	\$ 5,255,025	\$ 2,152,470	\$ 18,703,862
Due from governmental entities	2,991,466	1,030,003			1,674,456	5,695,925
Due from other funds	2,421,043					2,421,043
Prepaid items	492,224					492,224
Inventory	229,241					229,241
Total assets	<u>\$ 15,297,875</u>	<u>\$ 1,030,003</u>	<u>\$ 2,132,466</u>	<u>\$ 5,255,025</u>	<u>\$ 3,826,926</u>	<u>\$ 27,542,295</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ 628,670	\$ 48,133	\$ 18,482	\$	\$ 288,273	\$ 983,558
Deposits held for others			41,670			41,670
Due to other funds		887,031			1,534,013	2,421,044
Accrued payroll and employee benefits	129,172					129,172
Unearned revenues		94,839			139,387	234,226
Bonds payable				1,895,000	225,000	2,120,000
Bond interest payable				374,662	59,541	434,203
Total liabilities	<u>757,842</u>	<u>1,030,003</u>	<u>60,152</u>	<u>2,269,662</u>	<u>2,246,214</u>	<u>6,363,873</u>
Fund balances:						
Nonspendable	229,241					229,241
Restricted			2,072,314	2,985,363	1,737,375	6,795,052
Unassigned	14,310,792				(156,663)	14,154,129
Total fund balances	<u>14,540,033</u>	<u></u>	<u>2,072,314</u>	<u>2,985,363</u>	<u>1,580,712</u>	<u>21,178,422</u>
Total liabilities and fund balances	<u>\$ 15,297,875</u>	<u>\$ 1,030,003</u>	<u>\$ 2,132,466</u>	<u>\$ 5,255,025</u>	<u>\$ 3,826,926</u>	<u>\$ 27,542,295</u>

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total governmental fund balances	\$	21,178,422
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Amounts reported for *governmental activities* in the Statement of Net Position are different because:

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

Governmental capital assets	\$	169,800,246	
Less accumulated depreciation		<u>(78,248,271)</u>	91,551,975

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position.	(1,530,273)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds.

Deferred outflows of resources related to pensions	1,635,935	
Deferred inflows of resources related to pensions	<u>(4,429,488)</u>	(2,793,553)

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

Compensated absences payable	(739,075)	
Net pension liability	(18,350,346)	
Bonds payable	<u>(13,325,000)</u>	<u>(32,414,421)</u>

Net position of governmental activities	\$	<u>75,992,150</u>
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The notes to the basic financial statements are an integral part of this statement.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Title I Grants	Teacherae	Impact Aid Revenue Bond Debt Service	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Other local	\$ 942,224	\$ 391	\$ 355,891	\$	\$ 244,263	\$ 1,542,769
Property taxes					270,592	270,592
State aid and grants	8,479,539				835,135	9,314,674
Federal aid, grants and reimbursements	14,074,434	1,170,548		525,356	2,877,018	18,647,356
Total revenues	<u>23,496,197</u>	<u>1,170,939</u>	<u>355,891</u>	<u>525,356</u>	<u>4,227,008</u>	<u>29,775,391</u>
Expenditures:						
Current -						
Instruction	8,005,407	353,340			1,273,053	9,631,800
Support services - students and staff	2,274,011	576,003			615,987	3,466,001
Support services - administration	2,370,273	97,260			160,387	2,627,920
Operation and maintenance of plant services	3,441,776		216,105		29,851	3,687,732
Student transportation services	894,373				11,011	905,384
Operation of non-instructional services	36,913				1,312,885	1,349,798
Capital outlay	719,532	112,573			451,279	1,283,384
Debt service -						
Principal retirement				1,895,000	225,000	2,120,000
Interest, premium and fiscal charges				794,106	119,741	913,847
Total expenditures	<u>17,742,285</u>	<u>1,139,176</u>	<u>216,105</u>	<u>2,689,106</u>	<u>4,199,194</u>	<u>25,985,866</u>
Excess (deficiency) of revenues over expenditures	<u>5,753,912</u>	<u>31,763</u>	<u>139,786</u>	<u>(2,163,750)</u>	<u>27,814</u>	<u>3,789,525</u>
Other financing sources (uses):						
Transfers in	54,152			2,598,913		2,653,065
Transfers out	(2,598,913)	(31,763)			(22,389)	(2,653,065)
Total other financing sources (uses)	<u>(2,544,761)</u>	<u>(31,763)</u>		<u>2,598,913</u>	<u>(22,389)</u>	
Changes in fund balances	<u>3,209,151</u>		<u>139,786</u>	<u>435,163</u>	<u>5,425</u>	<u>3,789,525</u>
Fund balances, beginning of year, as restated	<u>11,434,445</u>		<u>1,932,528</u>	<u>2,550,200</u>	<u>1,575,287</u>	<u>17,492,460</u>
Changes in nonspendable resources:						
Increase (decrease) in inventory	(103,563)					(103,563)
Fund balances, end of year	<u>\$ 14,540,033</u>	<u>\$</u>	<u>\$ 2,072,314</u>	<u>\$ 2,985,363</u>	<u>\$ 1,580,712</u>	<u>\$ 21,178,422</u>

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Net changes in fund balances - total governmental funds **\$ 3,685,962**

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 614,691	
Less current year depreciation	<u>(5,335,579)</u>	(4,720,888)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term reduces long-term liabilities in the Statement of Net Position.

Bond principal retirement	2,120,000
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Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the statement of activities.

Current year pension contributions	1,135,194	
Pension expense	<u>888,332</u>	2,023,526

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

Compensated absences	(24,845)
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The internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities.

(1,051,146)

The disposal of capital assets resulted in a loss on the Statement of Activities. However, the loss is not an expenditure in the governmental funds.

(220,185)

Change in net position in governmental activities	\$	<u>1,812,424</u>
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The notes to the basic financial statements are an integral part of this statement.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Governmental Activities: Internal Service Funds
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ _____
Total current assets	_____
Total assets	_____
<u>LIABILITIES</u>	
Current liabilities:	
Negative cash	208,718
Claims payable	1,321,555
Total current liabilities	1,530,273
Total liabilities	1,530,273
<u>NET POSITION</u>	
Unrestricted	(1,530,273)
Total net position	\$ (1,530,273)

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION-
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities: Internal Service Funds
Operating revenues:	
Contributions	\$ 2,004,518
Total operating revenues	<u>2,004,518</u>
Operating expenses:	
Claims	2,742,882
Premiums	191,404
Administrative fees	121,378
Total operating expenses	<u>3,055,664</u>
Changes in net position	<u>(1,051,146)</u>
Total net position, beginning of the year	(479,127)
Total net position, end of the year	<u><u>\$ (1,530,273)</u></u>

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Governmental Activities: Internal Service Funds
<u>Increase in Cash and Cash Equivalents</u>	
Cash flows from operating activities:	
Cash received from contributions	\$ 2,004,518
Cash payments to suppliers for services	(312,782)
Cash payments for claims	<u>(2,300,219)</u>
Net cash used by operating activities	<u>(608,483)</u>
Net increase in cash and cash equivalents	<u>(608,483)</u>
Cash and cash equivalents, beginning of the year	<u>399,765</u>
Cash and cash equivalents, end of the year	<u><u>\$ (208,718)</u></u>
<u>Reconciliation of Operating Income to Net Cash provided by Operating Activities</u>	
Operating income	\$ (1,051,146)
Adjustment to reconcile operating income to net cash provided for operating activities:	
Changes in assets and liabilities:	
Increase in claims payable	<u>442,663</u>
Total adjustments	<u>442,663</u>
Net cash provided by operating activities	<u><u>\$ (608,483)</u></u>

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2016

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 45,650
Total assets	<u>\$ 45,650</u>
 <u>LIABILITIES</u>	
Due to student groups	\$ 45,650
Total liabilities	<u>\$ 45,650</u>

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

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Window Rock Unified School District No. 8 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2016, the District implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also enhances accountability and transparency through revised note disclosures.

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

A. Reporting Entity

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

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

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

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. As permitted by generally accepted accounting principles the District applies 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 debt service principal and interest due early in the following year (less than one month). Therefore, the expenditures and related liabilities have been recognized in the current period.

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

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type. The District reports the following major governmental funds:

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Teacherage Fund – The Teacherage Fund accounts for the operations of District housing facilities provided for employees of the District exclusively on Indian and federal lands.

Impact Aid Revenue Bond Debt Service Fund - The Impact Aid Revenue Bond Debt Service Fund accounts for impact aid monies received and interest earned that is used for the payment of impact aid revenue bond principal and interest payments.

Additionally, the District reports the following fund types:

Proprietary Funds - The Proprietary Fund is an internal service fund that accounts for activities related to the District's self-insurance program.

Fiduciary Funds - The Fiduciary Funds are Agency Funds, which account for resources held by the District on behalf of others and includes the Student Activities Fund. This Fund accounts for monies raised by students to finance student clubs and organizations held by the District as an agent.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for health and welfare benefits. Operating expenses for internal service funds include the cost of goods and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash and Investments

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Cash and Investments (Concl'd)

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

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

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

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

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

E. Investment Income

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds are eliminated on the Statement of Net Position.

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

G. Property Tax Calendar

Property tax levies are obtained by applying tax rates against either the primary assessed valuation or the secondary assessed valuation. Primary and secondary valuation categories are composed of the exact same properties. However, the primary category limits the increase in property values to 10% from the previous year, while there is no limit to the increase in property values for secondary valuation. Override and debt service tax rates are applied to the secondary assessed valuation and all other tax rates are applied to the primary assessed valuation.

The County levies real property taxes on or before the third Monday in August, which 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. The billings are considered past due after these dates, at which time the applicable property is subject to penalties and interest.

The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days thereafter.

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Prepaid Items

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

I. Inventories

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

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

Land improvements	5 - 50 years
Buildings and improvements	5 - 50 years
Vehicles, furniture and equipment	5-15 years

K. 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.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A liability for these amounts, including related benefits, 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.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

M. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

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

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 and after nonoperating revenues/expenses in the proprietary funds.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

O. 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.

P. Net Position Flow Assumption

In the government-wide fund financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

Q. 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.

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Cont'd)

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

Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the Governmental Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by 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. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had to be restricted, committed, or assigned.

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)

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

	General Fund	Title I Grants	Teacherage	Impact Aid Revenue Bond Debt Service	Non-Major Governmental Funds
Fund Balances:					
Nonspendable	\$ 229,241	\$	\$	\$	\$
Restricted:					
Debt service				2,985,363	95,050
Capital projects					305,776
Bond building projects					
Voter approved initiatives					1,157,995
Teacherage			2,072,314		
Other purposes					178,554
Unassigned	14,310,792				(156,663)
Total fund balances	\$ 14,540,033	\$	\$2,072,314	\$ 2,985,363	\$ 1,580,712

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balances – At year end, the following non-major governmental funds reported a deficit in fund balance.

	Deficit
Non-Major Governmental Fund:	
Food Services	\$ 2,736
Joint Technological Education	153,927

The deficits arose because of operations during the year. Additional revenues received in fiscal year 2016-17 are expected to eliminate the deficits.

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District's deposits was \$5,500,283 and the bank balance was \$5,693,770. In addition, of this amount, \$5,539,566 was held with a trustee and the remaining balance was covered by Federal depository insurance or collateral held by the banking institution in the District's name.

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

At year end, the District's investments consisted of the following.

<u>Investment Type</u>	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer's investment pool	1 to 5 years	<u>\$13,040,511</u>
Total		<u>\$13,040,511</u>

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

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

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

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - RECEIVABLES

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

	General Fund	Title I Grants Fund	Non-Major Governmental Funds	Totals
Due from governmental entities:				
Due from federal government	\$	\$ 1,030,003	\$ 1,533,246	\$ 2,563,249
Due from state government	2,982,041		141,210	3,123,251
Due from county	4,863			4,863
Due from other districts	4,562			4,562
Net due from governmental entities	<u>\$ 2,991,466</u>	<u>\$ 1,030,003</u>	<u>\$ 1,674,456</u>	<u>\$ 5,695,925</u>

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

	Unearned
Grant drawdowns prior to meeting all eligibility requirements (Title I Grants)	\$ 94,839
Grant drawdowns prior to meeting all eligibility requirements (Non-Major governmental funds)	<u>139,387</u>
Total unearned revenue for governmental funds	<u>\$ 234,226</u>

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 261,580	\$	\$	\$ 261,580
Total capital assets, not being depreciated	261,580			261,580
Capital assets, being depreciated:				
Land improvements	\$ 9,055,251	\$	\$	\$ 9,055,251
Buildings and improvements	151,673,804			151,673,804
Vehicles, furniture and equipment	8,483,353	614,691	288,433	8,809,611
Total capital assets being depreciated	169,212,408	614,691	288,433	169,538,666
Less accumulated depreciation for:				
Land improvements	(7,078,853)	(397,714)		(7,476,567)
Buildings and improvements	(59,488,220)	(4,451,444)	(8,158)	(63,931,506)
Vehicles, furniture and equipment	(6,413,867)	(486,421)	(60,090)	(6,840,198)
Total accumulated depreciation	(72,980,940)	(5,335,579)	(68,248)	(78,248,271)
Total capital assets, being depreciated, net	96,231,468	(4,720,888)	220,185	91,290,395
Governmental activities capital assets, net	<u>\$ 96,493,048</u>	<u>\$ (4,720,888)</u>	<u>\$ 220,185</u>	<u>\$ 91,551,975</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 4,226,761
Support services - students and staff	324,618
Support services – administration	287,160
Operation and maintenance of plant services	164,666
Student transportation services	217,135
Operation of non-instructional services	115,239
Total depreciation expense - governmental activities	<u>\$ 5,335,579</u>

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable at year end consisted of the following outstanding general obligation bond. The bond is both callable and noncallable with interest payable semiannually. Property tax revenues from the Debt Service Fund are used to pay bonded debt.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
School Improvement Bond, Project of 2004, Series A (2008)	\$ 3,245,000	5.75-6.375%	7/1/12-22	\$ 1,895,000	\$ 225,000
Total				<u>\$ 1,895,000</u>	<u>\$ 225,000</u>

Annual debt service requirements to maturity on school improvement bonds at year end are summarized as follows:

		<u>Governmental Activities</u>	
<u>Year Ending June 30:</u>		<u>Principal</u>	<u>Interest</u>
	2017	\$ 225,000	\$ 112,332
	2018	235,000	98,531
	2019	250,000	83,513
	2020	270,000	66,938
	2021	285,000	49,247
	2022-23	630,000	40,800
Total		<u>\$ 1,895,000</u>	<u>\$ 451,361</u>

NOTE 8 – REVENUE BONDS PAYABLE

Revenue bonds payable at year end consisted of the following outstanding Impact Aid revenue bonds. The bonds are noncallable with interest payable semiannually. Federal Impact Aid revenues are used to pay the Impact Aid revenue bonds.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
Impact Aid Revenue Bond, Series A (2011)	\$ 20,350,000	5.986-6.158%	7/1/12-22	\$ 13,550,000	\$ 1,895,000
Total				<u>\$ 13,550,000</u>	<u>\$ 1,895,000</u>

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – REVENUE BONDS PAYABLE (Concl'd)

Annual debt service requirements to maturity on school improvement bonds at year end are summarized as follows:

Year Ending June 30:		<u>Governmental Activities</u>	
		<u>Principal</u>	<u>Interest</u>
	2017	\$ 1,895,000	\$ 705,898
	2018	1,895,000	615,152
	2019	1,900,000	516,969
	2020	1,900,000	412,409
	2021	1,890,000	303,261
	2021-23	4,070,000	251,684
Total		<u>\$ 13,550,000</u>	<u>\$ 2,805,373</u>

NOTE 9 - CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 17,555,000	\$	\$ 2,110,000	\$ 15,445,000	\$ 2,120,000
Net pension liability	18,829,514	3,950,320	4,429,488	18,350,346	
Compensated absences payable	714,230	317,397	292,552	739,075	372,255
Governmental activity long-term liabilities	<u>\$ 37,098,744</u>	<u>\$4,267,717</u>	<u>\$ 6,832,040</u>	<u>\$ 34,534,421</u>	<u>\$ 2,492,255</u>

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows:

Due to/from other funds:

Due to	<u>Due from</u>		
	<u>Non-Major</u>		<u>Total</u>
	<u>Title I Grants</u>	<u>Governmental</u>	
	<u>Fund</u>	<u>Funds</u>	
General Fund	<u>\$ 887,030</u>	<u>\$ 1,534,013</u>	<u>\$ 2,421,043</u>

At year end, several funds had negative cash balances in the Treasurer's pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing. All interfund balances are expected to be paid within one year.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concl'd)

Interfund transfers:

	Transfers in		
	General Fund	Impact Aid Revenue Bond Debt Service	Total
Transfers out			
General Fund	\$	\$ 2,598,913	\$ 2,598,913
Title I Grants	31,763		31,763
Non-Major Governmental Funds	22,389		22,389
Total	\$ 54,152	\$ 2,598,913	\$ 2,653,065

Transfers between funds are used to (1) move Federal grant funds restricted for indirect costs and (2) to make contributions from the General Fund to the Impact Aid Revenue Bond Debt Service Fund in accordance with the provisions of the bond offering statement.

NOTE 11 - CONTINGENT LIABILITIES

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

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

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The July 1, 2015 the government-wide net assets and governmental fund balances do not agree to the prior year financial statements due to the correction of an error. The cash balance in the Impact Aid Revenue Bond Debt Service Fund was understated by \$829,454. The adjustment to correct the understatement had the following effect on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances:

	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances
Net position/Fund balance, June 30, 2015 as previously reported	\$ 73,350,272	\$ 1,720,746
Cash with Fiscal Agent not recorded in prior year	829,454	829,454
Net position/Fund balance, July 1, 2015, as restated	\$ 74,179,726	\$ 2,550,200

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - RISK MANAGEMENT

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

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

The District established an Employee Benefits Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss related to employee healthcare claims. Under this program, the Fund provides coverage for up to a maximum of \$125,000 for each claim, not to exceed an annual aggregate of \$50,000. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation and changes in legal doctrines. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries for example from salvage or subrogation, are another component of the claims liability estimate.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - RISK MANAGEMENT (Concl'd)

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

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable at End of Year
<u>Employee Benefits</u>				
2015-16	\$ 878,892	\$ 2,742,882	\$ 2,300,219	\$1,321,555
2014-15	586,846	1,835,263	1,543,217	878,892

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive Benefit	Sum of years and age equals 80 10 Years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
	*With actuarially reduced benefits	

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Pension Liability. At June 30, 2016, the District reported a liability of \$18.4 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.12 percent, which was an increase of around 0.04 percent from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2016, the District recognized pension expense of \$(885,887) and 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	\$ 500,741	\$ 961,577
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on pension plan investments		588,088
Changes in proportion and differences between contributions and proportionate share of contributions		2,879,823
Contributions subsequent to the measurement date	1,135,194	
Total	<u>\$ 1,635,935</u>	<u>\$ 4,429,488</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2017	\$(2,264,303)
2018	(1,565,684)
2019	(523,285)
2020	424,525

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension plan for the year ended June 30, 2016 were \$1,135,194.

In addition, the District was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to ASRS.

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

		Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
	2016	\$ 52,313	\$ 12,261
	2015	63,893	12,682
	2014	68,655	27,293

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.79%
Fixed income	25	3.70
Real Estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.93
Total	<u>100%</u>	

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.79 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.

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

	<u>1% Decrease</u> <u>(7.0%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(8.0%)</u>	<u>1% Increase</u> <u>(9.0%)</u>
Proportionate share of the net pension liability	\$24,045,224	\$18,350,346	\$14,447,488

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

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REQUIRED SUPPLEMENTARY INFORMATION

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 687,634	\$ 687,634
State aid and grants			8,479,539	8,479,539
Total revenues			9,167,173	9,167,173
Expenditures:				
Current -				
Instruction	6,128,867	5,578,436	5,255,297	323,139
Support services - students and staff	1,223,408	1,222,954	1,433,220	(210,266)
Support services - administration	2,900,396	1,714,182	1,613,749	100,433
Operation and maintenance of plant services	2,551,932	2,611,936	2,259,276	352,660
Student transportation services	743,768	1,034,185	722,367	311,818
Operation of non-instructional services	38,204	38,204	35,121	3,083
Total expenditures	13,586,575	12,199,897	11,319,030	880,867
Excess (deficiency) of revenues over expenditures	(13,586,575)	(12,199,897)	(2,151,857)	10,048,040
Other financing sources (uses):				
Transfers in			2,155,409	2,155,409
Transfers out				
Total other financing sources (uses)			2,155,409	2,155,409
Change in fund balances	(13,586,575)	(12,199,897)	3,552	12,203,449
Fund balances (deficits), beginning of year	1,170,547	1,170,547	1,206,306	35,759
Changes in nonspendable resources:				
Increase (decrease) in inventory			(103,563)	(103,563)
Fund balances (deficits), end of year	<u>\$ (12,416,028)</u>	<u>\$ (11,029,350)</u>	<u>\$ 1,106,295</u>	<u>\$ 12,135,645</u>

See accompanying notes to this schedule.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TITLE I GRANTS
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
Revenues:			
Other local	\$	\$	\$ 391
Federal aid, grants and reimbursements	2,768,126	1,948,419	1,170,548
Total revenues	<u>2,768,126</u>	<u>1,948,419</u>	<u>1,170,939</u>
Expenditures:			
Current-			
Instruction			353,340
Support services-students and staff	2,768,126	1,948,419	576,003
Support services-administration			97,260
Capital outlay			112,573
Total expenditures	<u>2,768,126</u>	<u>1,948,419</u>	<u>1,139,176</u>
Excess (deficiency) of revenues over expenditures			<u>31,763</u>
Other financing sources (uses):			
Transfers in			
Transfers out			(31,763)
Total other financing sources (uses)			<u>(31,763)</u>
Change in fund balances			
Fund balances (deficits), beginning of year			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

See accompanying notes to this schedule.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TEACHERAGE
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
Revenues:			
Other local	\$	\$	\$ 355,891
Total revenues			355,891
Expenditures:			
Current-			
Operation and maintenance of plant services	516,166	516,166	216,105
Capital outlay			
Total expenditures	516,166	516,166	216,105
Excess (deficiency) of revenues over expenditures	(516,166)	(516,166)	139,786
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances	(516,166)	(516,166)	139,786
Fund balances (deficits), beginning of year	1,932,528	1,932,528	1,932,528
Fund balances (deficits), end of year	\$ 1,416,362	\$ 1,416,362	\$ 2,072,314

See accompanying notes to this schedule.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
District's proportion of the net pension liability (asset)	0.12%	0.13%
District's proportionate share of the net pension liability (asset)	\$ 18,350,346	\$ 18,829,514
District's covered-employee payroll	\$ 10,890,820	\$ 11,271,065
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	168.49%	167.06%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

SCHEDULE OF CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

	Reporting Fiscal Year	
	2016	2015
Statutorily required contribution	\$ 1,181,654	\$ 1,227,419
Contributions in relation to the statutorily required contribution	1,181,654	1,227,419
Contribution deficiency (excess)		
District's covered-employee payroll	\$ 10,890,820	\$ 11,271,065
Contributions as a percentage of covered-employee payroll	10.85%	10.89%

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

See accompanying notes to the schedule.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

The following schedule reconciles expenditures, other financing sources (uses), fund balance at the end of the year.

	Total Expenditures	Other Financing Sources/ (Uses)	Fund Balance, June 30, 2016
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 17,742,285	\$(2,544,761)	\$ 14,540,033
Fiscal year 2015-16 activity budgeted as special revenue funds	<u>(6,423,255)</u>	<u>4,700,170</u>	<u>(13,433,738)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 11,319,030</u>	<u>\$ 2,155,409</u>	<u>\$ 1,106,295</u>

NOTE 2 – PENSION PLAN SCHEDULES

Change in Accounting Principle. For the year ended June 30, 2016, the District implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

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

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2035, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2016

	Special Revenue	Capital Projects	Debt Service	Total Non-Major Governmental Funds
Assets:				
Cash and investments	\$ 1,467,703	\$ 305,176	\$ 379,591	\$ 2,152,470
Due from governmental entities	1,673,856	600		1,674,456
Total assets	<u>\$ 3,141,559</u>	<u>\$ 305,776</u>	<u>\$ 379,591</u>	<u>\$ 3,826,926</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 288,273	\$	\$	\$ 288,273
Due to other funds	1,534,013			1,534,013
Unearned revenues	139,387			139,387
Bonds payable			225,000	225,000
Bond interest payable			59,541	59,541
Total liabilities	<u>1,961,673</u>	<u></u>	<u>284,541</u>	<u>2,246,214</u>
Fund balances:				
Restricted	1,336,549	305,776	95,050	1,737,375
Unassigned	(156,663)			(156,663)
Total fund balances	<u>1,179,886</u>	<u>305,776</u>	<u>95,050</u>	<u>1,580,712</u>
Total liabilities and fund balances	<u>\$ 3,141,559</u>	<u>\$ 305,776</u>	<u>\$ 379,591</u>	<u>\$ 3,826,926</u>

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2016

	Non-Major Special Revenues	Non-Major Capital Projects	Debt Service	Total Non-Major Governmental Funds
Revenues:				
Other local	\$ 241,064	\$ 1,919	\$ 1,280	\$ 244,263
Property taxes			270,592	270,592
State aid and grants	835,135			835,135
Federal aid, grants and reimbursements	2,877,018			2,877,018
Total revenues	<u>3,953,217</u>	<u>1,919</u>	<u>271,872</u>	<u>4,227,008</u>
Expenditures:				
Current -				
Instruction	1,273,053			1,273,053
Support services - students and staff	615,987			615,987
Support services - administration	160,387			160,387
Operation and maintenance of plant services	29,851			29,851
Student transportation	11,011			11,011
Operation of non-instructional services	1,312,885			1,312,885
Capital outlay	451,279			451,279
Debt service -				
Principal retirement			225,000	225,000
Interest, premium and fiscal charges			119,741	119,741
Total expenditures	<u>3,854,453</u>	<u></u>	<u>344,741</u>	<u>4,199,194</u>
Excess (deficiency) of revenues over expenditures	<u>98,764</u>	<u>1,919</u>	<u>(72,869)</u>	<u>27,814</u>
Other financing sources (uses):				
Transfers out	(22,389)			(22,389)
Total other financing sources (uses)	<u>(22,389)</u>	<u></u>	<u></u>	<u>(22,389)</u>
Changes in fund balances	<u>76,375</u>	<u>1,919</u>	<u>(72,869)</u>	<u>5,425</u>
Fund balances (deficits), beginning of year	<u>1,103,511</u>	<u>303,857</u>	<u>167,919</u>	<u>1,575,287</u>
Fund balances (deficits), end of year	<u>\$ 1,179,886</u>	<u>\$ 305,776</u>	<u>\$ 95,050</u>	<u>\$ 1,580,712</u>

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	<u>Classroom Site</u>	<u>Instructional Improvement</u>	<u>Structured English Immersion</u>	<u>Compensatory Instruction</u>
Assets:				
Cash and investments	\$ 665,621	\$ 351,764	\$ 42,884	\$ 80
Due from other governmental entities	121,271	19,339		
Total assets	<u>\$ 786,892</u>	<u>\$ 371,103</u>	<u>\$ 42,884</u>	<u>\$ 80</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$	\$	\$ 5,417	\$
Due to other funds				
Unearned revenues			37,467	80
Total liabilities			<u>42,884</u>	<u>80</u>
Fund balances:				
Restricted	786,892	371,103		
Unassigned				
Total fund balances	<u>786,892</u>	<u>371,103</u>		
Total liabilities and fund balances	<u>\$ 786,892</u>	<u>\$ 371,103</u>	<u>\$ 42,884</u>	<u>\$ 80</u>

Student Success	Professional Development and Technology Grants	Limited English & Immigrant Students	Indian Education	Special Education Grants	Johnson - O'Malley
\$ 33,494	\$ 114,409	\$ 19,847	\$ 585,275	\$ 474,454	\$ 156,702
<u>\$ 33,494</u>	<u>\$ 114,409</u>	<u>\$ 19,847</u>	<u>\$ 585,275</u>	<u>\$ 474,454</u>	<u>\$ 156,702</u>
\$	\$ 8,010	\$	\$ 37,224	\$ 31	\$ 534
	106,399	19,847	548,051	474,423	153,971
33,494					2,197
<u>33,494</u>	<u>114,409</u>	<u>19,847</u>	<u>585,275</u>	<u>474,454</u>	<u>156,702</u>
<u>\$ 33,494</u>	<u>\$ 114,409</u>	<u>\$ 19,847</u>	<u>\$ 585,275</u>	<u>\$ 474,454</u>	<u>\$ 156,702</u>

(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016
(Continued)

	Vocational Education - Basic Grant	E-Rate	Other Federal Projects	State Vocational Education
Assets:				
Cash and investments	\$	\$ 180,542	\$	\$ 63
Due from other governmental entities	46,573	8,652	97,134	
Total assets	<u>\$ 46,573</u>	<u>\$ 189,194</u>	<u>\$ 97,134</u>	<u>\$ 63</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 159	\$ 189,194	\$	\$
Due to other funds	39,799		37,691	
Unearned revenues	6,615		59,443	63
Total liabilities	<u>46,573</u>	<u>189,194</u>	<u>97,134</u>	<u>63</u>
Fund balances:				
Restricted				
Unassigned				
Total fund balances				
Total liabilities and fund balances	<u>\$ 46,573</u>	<u>\$ 189,194</u>	<u>\$ 97,134</u>	<u>\$ 63</u>

Other State Projects	Food Services	Civic Center	Extracurricular Activities Fees Tax Credit	Career & Technical Education & Vocational Education Projects	Fingerprinting
\$ 28	\$ 14,673	\$ 161,439	\$ 3,592	\$ 1	\$ 5,374
	30,200				
<u>\$ 28</u>	<u>\$ 44,873</u>	<u>\$ 161,439</u>	<u>\$ 3,592</u>	<u>\$ 1</u>	<u>\$ 5,374</u>
\$	\$ 47,609	\$	\$	\$	\$
28					
<u>28</u>	<u>47,609</u>				
		161,439	3,592	1	5,374
	(2,736)				
	<u>(2,736)</u>	<u>161,439</u>	<u>3,592</u>	<u>1</u>	<u>5,374</u>
<u>\$ 28</u>	<u>\$ 44,873</u>	<u>\$ 161,439</u>	<u>\$ 3,592</u>	<u>\$ 1</u>	<u>\$ 5,374</u>

(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016
(Concluded)

	Textbooks	Insurance Refund	Joint Technological Education	Totals
Assets:				
Cash and investments	\$ 317	\$ 7,831	\$	\$ 1,467,703
Due from other governmental entities				1,673,856
Total assets	<u>\$ 317</u>	<u>\$ 7,831</u>	<u>\$</u>	<u>\$ 3,141,559</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$	\$	\$ 95	\$ 288,273
Due to other funds			153,832	1,534,013
Unearned revenues				139,387
Total liabilities			<u>153,927</u>	<u>1,961,673</u>
Fund balances:				
Restricted	317	7,831		1,336,549
Unassigned			(153,927)	(156,663)
Total fund balances	<u>317</u>	<u>7,831</u>	<u>(153,927)</u>	<u>1,179,886</u>
Total liabilities and fund balances	<u>\$ 317</u>	<u>\$ 7,831</u>	<u>\$</u>	<u>\$ 3,141,559</u>

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016

	Classroom Site	Instructional Improvement	Structured English Immersion
Revenues:			
Other local	\$ 2,781	\$ 2,492	\$ 175
State aid and grants	728,658	79,067	9,746
Federal aid, grants and reimbursements			
Total revenues	<u>731,439</u>	<u>81,559</u>	<u>9,921</u>
Expenditures:			
Current -			
Instruction	480,367		
Support services - students and staff	2,653	9,434	9,921
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>483,020</u>	<u>9,434</u>	<u>9,921</u>
Excess (deficiency) of revenues over expenditures	<u>248,419</u>	<u>72,125</u>	
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u></u>	<u></u>	<u></u>
Change in fund balances	248,419	72,125	
Fund balances (deficits), beginning of year	538,473	298,978	
Fund balances (deficits), end of year	<u>\$ 786,892</u>	<u>\$ 371,103</u>	<u>\$</u>

Professional Development and Technology Grants	Limited English & Immigrant Students	Indian Education	Special Education Grants	Johnson - O'Malley	Vocational Education - Basic Grants	E-Rate
\$	\$	\$	\$	\$ 9	\$	\$ 674
130,201	19,941	365,400	474,595	141,137	23,218	523,900
130,201	19,941	365,400	474,595	141,146	23,218	524,574
7,127	14,996	299,410	207,741	57,711	19,331	
52,165	4,515	65,517	216,194	73,401	3,887	
65,624		473	12,503	3,904		71,164
			11,011			29,484
			22,496			423,926
124,916	19,511	365,400	469,945	135,016	23,218	524,574
5,285	430		4,650	6,130		
(5,285)	(430)		(4,650)	(6,130)		
(5,285)	(430)		(4,650)	(6,130)		
\$	\$	\$	\$	\$	\$	\$

(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	Other Federal Projects	State Vocational Education	Food Services
Revenues:			
Other local	\$ 257	\$ 2	\$ 139,813
State aid and grants		17,664	
Federal aid, grants and reimbursements	159,230		1,039,396
Total revenues	<u>159,487</u>	<u>17,666</u>	<u>1,179,209</u>
Expenditures:			
Current -			
Instruction	2,215	17,666	
Support services - students and staff	151,378		
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			1,312,885
Capital outlay			4,857
Total expenditures	<u>153,593</u>	<u>17,666</u>	<u>1,317,742</u>
Excess (deficiency) of revenues over expenditures	<u>5,894</u>		<u>(138,533)</u>
Other financing sources (uses):			
Transfers in			
Transfers out	(5,894)		
Total other financing sources (uses)	<u>(5,894)</u>		
Change in fund balances			(138,533)
Fund balances (deficits), beginning of year			135,797
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$ (2,736)</u>

Civic Center	Extracurricular Activities Fees Tax Credit	Career & Technical Education & Vocational Education Projects	Fingerprinting	Textbooks	Insurance Refund
\$ 55,880	\$ 1,114	\$ 667	\$ 442	\$ 144	\$ 408
<u>55,880</u>	<u>1,114</u>	<u>667</u>	<u>442</u>	<u>144</u>	<u>408</u>
		666			
9,486			22		
2,167					
367					
<u>12,020</u>		<u>666</u>	<u>22</u>		
<u>43,860</u>	<u>1,114</u>	<u>1</u>	<u>420</u>	<u>144</u>	<u>408</u>
43,860	1,114	1	420	144	408
117,579	2,478		4,954	173	7,423
<u>\$ 161,439</u>	<u>\$ 3,592</u>	<u>\$ 1</u>	<u>\$ 5,374</u>	<u>\$ 317</u>	<u>\$ 7,831</u>

(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Concluded)

	Joint Technological Education	Totals
Revenues:		
Other local	\$ 36,206	\$ 241,064
State aid and grants		835,135
Federal aid, grants and reimbursements		2,877,018
Total revenues	<u>36,206</u>	<u>3,953,217</u>
Expenditures:		
Current -		
Instruction	165,823	1,273,053
Support services - students and staff	17,436	615,987
Support services - administration	4,530	160,387
Operation and maintenance of plant services		29,851
Student transportation services		11,011
Operation of non-instructional services		1,312,885
Capital outlay		451,279
Total expenditures	<u>187,789</u>	<u>3,854,453</u>
Excess (deficiency) of revenues over expenditures	<u>(151,583)</u>	<u>98,764</u>
Other financing sources (uses):		
Transfers in		
Transfers out		(22,389)
Total other financing sources (uses)		<u>(22,389)</u>
Change in fund balances	(151,583)	76,375
Fund balances (deficits), beginning of year	(2,344)	1,103,511
Fund balances (deficits), end of year	<u>\$ (153,927)</u>	<u>\$ 1,179,886</u>

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016

	Classroom Site		Variance -
	Budget	Actual	Positive (Negative)
Revenues:			
Other local	\$	\$ 2,781	\$ 2,781
State aid and grants		728,658	728,658
Federal aid, grants and reimbursements			
Total revenues		<u>731,439</u>	<u>731,439</u>
Expenditures:			
Current -			
Instruction	1,280,431	480,367	800,064
Support services - students and staff		2,653	(2,653)
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>1,280,431</u>	<u>483,020</u>	<u>797,411</u>
Excess (deficiency) of revenues over expenditures	<u>(1,280,431)</u>	<u>248,419</u>	<u>1,528,850</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances	<u>(1,280,431)</u>	<u>248,419</u>	<u>1,528,850</u>
Fund balances (deficits), beginning of year	<u>538,473</u>	<u>538,473</u>	
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	<u>\$ (741,958)</u>	<u>\$ 786,892</u>	<u>\$ 1,528,850</u>

Instructional Improvement		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 2,492 79,067	\$ 2,492 79,067
	81,559	81,559

Structured English Immersion		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 175 9,746	\$ 175 (41,914)
51,660	9,921	(41,739)

194,231 9,434 184,797

51,660 9,921 41,739

194,231	9,434	184,797
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51,660	9,921	41,739
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(194,231)	72,125	266,356
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(194,231) 72,125 266,356

298,978 298,978

\$ 104,747	\$ 371,103	\$ 266,356
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\$	\$	\$
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(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	Professional Development and Technology		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements	373,411	130,201	(243,210)
Total revenues	<u>373,411</u>	<u>130,201</u>	<u>(243,210)</u>
Expenditures:			
Current -			
Instruction		7,127	(7,127)
Support services - students and staff		52,165	(52,165)
Support services - administration	373,411	65,624	307,787
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>373,411</u>	<u>124,916</u>	<u>248,495</u>
Excess (deficiency) of revenues over expenditures		<u>5,285</u>	<u>5,285</u>
Other financing sources (uses):			
Transfers in			
Transfers out		(5,285)	(5,285)
Total other financing sources (uses)		<u>(5,285)</u>	<u>(5,285)</u>
Change in fund balances			
Fund balances (deficits), beginning of year			
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Limited English & Immigrant Students		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
123,225	19,941	(103,284)
123,225	19,941	(103,284)

123,225	14,996	108,229
	4,515	(4,515)

123,225	19,511	103,714
	430	430
	(430)	(430)
	(430)	(430)

\$	\$	\$
----	----	----

Indian Education		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
448,473	365,400	(83,073)
448,473	365,400	(83,073)

448,473	299,410	149,063
	65,517	(65,517)
	473	(473)

448,473	365,400	83,073

\$	\$	\$
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(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	Special Education Grants		Variance -
	Budget	Actual	Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements	538,082	474,595	(63,487)
Total revenues	<u>538,082</u>	<u>474,595</u>	<u>(63,487)</u>
Expenditures:			
Current -			
Instruction		207,741	(207,741)
Support services - students and staff	538,082	216,194	321,888
Support services - administration		12,503	(12,503)
Operation and maintenance of plant services			
Student transportation services		11,011	(11,011)
Operation of non-instructional services			
Capital outlay		22,496	(22,496)
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>538,082</u>	<u>469,945</u>	<u>68,137</u>
Excess (deficiency) of revenues over expenditures		<u>4,650</u>	<u>4,650</u>
Other financing sources (uses):			
Transfers in			
Transfers out		(4,650)	(4,650)
Total other financing sources (uses)		<u>(4,650)</u>	<u>(4,650)</u>
Change in fund balances			
Fund balances (deficits), beginning of year			
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Johnson-O'Malley		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 9	\$ 9
431,845	141,137	(290,708)
431,845	141,146	(290,699)

431,845	57,711	(57,711)
	73,401	358,444
	3,904	(3,904)

431,845	135,016	296,829
	6,130	6,130
	(6,130)	(6,130)
	(6,130)	(6,130)

\$	\$	\$
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Vocational Education - Basic Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
112,588	23,218	(89,370)
112,588	23,218	(89,370)

112,588	19,331	(19,331)
	3,887	108,701

112,588	23,218	89,370

\$	\$	\$
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(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	E-Rate		Variance -
	Budget	Actual	Positive (Negative)
Revenues:			
Other local	\$	\$ 674	\$ 674
State aid and grants			
Federal aid, grants and reimbursements	774,000	523,900	(250,100)
Total revenues	<u>774,000</u>	<u>524,574</u>	<u>(249,426)</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration	774,000	71,164	702,836
Operation and maintenance of plant services		29,484	(29,484)
Student transportation services			
Operation of non-instructional services			
Capital outlay		423,926	(423,926)
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>774,000</u>	<u>524,574</u>	<u>249,426</u>
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances			
Fund balances (deficits), beginning of year			
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Federal Impact Aid		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 56,971	\$ 56,971
15,141,382	14,074,434	(1,066,948)
15,141,382	14,131,405	(1,009,977)
15,141,382	2,744,898	12,396,484
	724,905	(724,905)
	740,521	(740,521)
	1,182,500	(1,182,500)
	172,006	(172,006)
	1,791	(1,791)
	674,802	(674,802)
15,141,382	6,241,423	8,899,959
	7,889,982	7,889,982
	(4,754,322)	(4,754,322)
	(4,754,322)	(4,754,322)
	3,135,660	3,135,660
10,014,974	10,014,974	
\$ 10,014,974	\$ 13,150,634	\$ 3,135,660

Other Federal Projects		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 257	\$ 257
171,775	159,230	(12,545)
171,775	159,487	(12,288)
171,775	2,215	169,560
	151,378	(151,378)
171,775	153,593	18,182
	5,894	5,894
	(5,894)	(5,894)
	(5,894)	(5,894)
\$	\$	\$

(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	State Vocational Education		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 2	\$ 2
State aid and grants	17,061	17,664	603
Federal aid, grants and reimbursements			
Total revenues	<u>17,061</u>	<u>17,666</u>	<u>605</u>
Expenditures:			
Current -			
Instruction	17,061	17,666	(605)
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>17,061</u>	<u>17,666</u>	<u>(605)</u>
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances			
Fund balances (deficits), beginning of year			
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

Food Services		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 139,813	\$ 139,813
	1,039,396	1,039,396
	1,179,209	1,179,209

Civic Center		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 55,880	\$ 55,880
	55,880	55,880

52,150	9,486	42,664
	2,167	(2,167)
	367	(367)

1,404,079	1,312,885	91,194
	4,857	(4,857)

1,404,079	1,317,742	86,337
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52,150	12,020	40,130
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(1,404,079)	(138,533)	1,265,546
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(52,150)	43,860	96,010
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(1,404,079)	(138,533)	1,265,546
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(52,150)	43,860	96,010
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135,797	135,797	
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117,579	117,579	
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\$ (1,268,282)	\$ (2,736)	\$ 1,265,546
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\$ 65,429	\$ 161,439	\$ 96,010
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(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	Auxiliary Operations		
		Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 144,566	\$ 144,566
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>144,566</u>	<u>144,566</u>
Expenditures:			
Current -			
Instruction		478	(478)
Support services - students and staff	100,000	112,414	(12,414)
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>100,000</u>	<u>112,892</u>	<u>(12,892)</u>
Excess (deficiency) of revenues over expenditures	<u>(100,000)</u>	<u>31,674</u>	<u>131,674</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances	(100,000)	31,674	131,674
Fund balances (deficits), beginning of year	102,673	102,673	
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	<u>\$ 2,673</u>	<u>\$ 134,347</u>	<u>\$ 131,674</u>

Extra Curricular Activities Fees Tax Credit		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 1,114	\$ 1,114
	1,114	1,114

5,847 5,847

5,847		5,847
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(5,847)	1,114	6,961
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(5,847) 1,114 6,961

2,478 2,478

\$ (3,369)	\$ 3,592	\$ 6,961
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Gifts and Donations		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 6,794	\$ 6,794
	6,794	6,794

23,756 4,735 19,021
3,471 (3,471)
4,636 (4,636)

23,756	12,842	10,914
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(23,756)	(6,048)	17,708
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(23,756) (6,048) 17,708

29,550 29,550

\$ 5,794	\$ 23,502	\$ 17,708
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(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	Career & Technical Ed& Vocational Ed Projects	
	Budget	Variance - Positive (Negative)
Revenues:		
Other local	\$	\$ 667
State aid and grants		
Federal aid, grants and reimbursements		
Total revenues		667
Expenditures:		
Current -		
Instruction		666
Support services - students and staff		(666)
Support services - administration		
Operation and maintenance of plant services		
Student transportation services		
Operation of non-instructional services		
Capital outlay		
Debt service		
Principal retirement		
Interest and fiscal charges		
Total expenditures		666
Excess (deficiency) of revenues over expenditures		1
Other financing sources (uses):		
Transfers in		
Transfers out		
Total other financing sources (uses)		
Change in fund balances		1
Fund balances (deficits), beginning of year		
Changes in nonspendable resources:		
Increase in prepaid items		
Fund balances (deficits), end of year	\$	\$ 1

Fingerprinting		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 442	\$ 442
	442	442
4,950	22	4,928
4,950	22	4,928
(4,950)	420	5,370
(4,950)	420	5,370
4,954	4,954	
\$ 4	\$ 5,374	\$ 5,370

Insurance Proceeds		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 3	\$ 3
	3	3
	3	3
	3	3
941	941	
\$ 941	\$ 944	\$ 3

(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	Textbooks		Variance -
	Budget	Actual	Positive (Negative)
Revenues:			
Other local	\$	\$ 144	\$ 144
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		144	144
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures			
Excess (deficiency) of revenues over expenditures		144	144
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances		144	144
Fund balances (deficits), beginning of year	173	173	
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	\$ 173	\$ 317	\$ 144

Litigation Recovery		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 46,233	\$ 46,233
	46,233	46,233

70,000		70,000
	44,730	(44,730)

70,000	44,730	25,270
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(70,000)	1,503	71,503
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(70,000)	1,503	71,503
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70,226	70,226	
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\$ 226	\$ 71,729	\$ 71,503
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Indirect Costs		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 3	\$ 3
	3	3

60,000	11,026	48,974
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60,000	11,026	48,974
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(60,000)	(11,023)	48,977
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	54,152	54,152
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	54,152	54,152
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(60,000)	43,129	103,129
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4,627	4,627	
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\$ (55,373)	\$ 47,756	\$ 103,129
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(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	Insurance Refund		Variance -
	Budget	Actual	Positive
			(Negative)
Revenues:			
Other local	\$	\$ 408	\$ 408
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		408	408
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures			
Excess (deficiency) of revenues over expenditures		408	408
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances		408	408
Fund balances (deficits), beginning of year	7,423	7,423	
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	\$ 7,423	\$ 7,831	\$ 408

Advertisement		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 19	\$ 19
	19	19

20,400 342 20,058

20,400 342 20,058

(20,400) (323) 20,077

(20,400) (323) 20,077

4,672 4,672

\$ (15,728) \$ 4,349 \$ 20,077

Joint Technological Education		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 36,206	\$ 36,206
	36,206	36,206

281,205 165,823 115,382
17,436 (17,436)
4,530 (4,530)

281,205 187,789 93,416

(281,205) (151,583) 129,622

(281,205) (151,583) 129,622

(2,344) (2,344)

\$ (283,549) \$ (153,927) \$ 129,622

(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Concluded)

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 495,653	\$ 495,653
State aid and grants	68,721	835,135	766,414
Federal aid, grants and reimbursements	18,114,781	16,951,452	(1,163,329)
Total revenues	<u>18,183,502</u>	<u>18,282,240</u>	<u>98,738</u>
Expenditures:			
Current -			
Instruction	17,487,308	4,023,164	13,464,144
Support services - students and staff	1,486,403	1,456,777	29,626
Support services - administration	1,302,761	916,912	385,849
Operation and maintenance of plant services		1,212,351	(1,212,351)
Student transportation services		183,017	(183,017)
Operation of non-instructional services	1,404,079	1,314,676	89,403
Capital outlay		1,170,811	(1,170,811)
Debt service			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>21,680,551</u>	<u>10,277,708</u>	<u>11,402,843</u>
Excess (deficiency) of revenues over expenditures	<u>(3,497,049)</u>	<u>8,004,532</u>	<u>11,501,581</u>
Other financing sources (uses):			
Transfers in		54,152	54,152
Transfers out		(4,776,711)	(4,776,711)
Total other financing sources (uses)		<u>(4,722,559)</u>	<u>(4,722,559)</u>
Change in fund balances	<u>(3,497,049)</u>	<u>3,281,973</u>	<u>6,779,022</u>
Fund balances (deficits), beginning of year	<u>11,331,174</u>	<u>11,331,174</u>	
Changes in nonspendable resources:			
Increase in prepaid items			
Fund balances (deficits), end of year	<u>\$ 7,834,125</u>	<u>\$ 14,613,147</u>	<u>\$ 6,779,022</u>

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Debt Service		Variance -
	Budget	Actual	Positive (Negative)
Revenues:			
Other local	\$	\$ 1,280	\$ 1,280
Property taxes		270,592	270,592
Federal aid, grants and reimbursements			
Total revenues		<u>271,872</u>	<u>271,872</u>
Expenditures:			
Debt service			
Principal retirement	225,000	225,000	
Interest and fiscal charges	121,981	119,741	2,240
Total expenditures	<u>346,981</u>	<u>344,741</u>	<u>2,240</u>
Excess (deficiency) of revenues over expenditures	<u>(346,981)</u>	<u>(72,869)</u>	<u>274,112</u>
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)			
Change in fund balances	<u>(346,981)</u>	<u>(72,869)</u>	<u>274,112</u>
Fund balances (deficits), beginning of year, as restated	167,919	167,919	
Fund balances (deficits), end of year	<u>\$ (179,062)</u>	<u>\$ 95,050</u>	<u>\$ 274,112</u>

Impact Aid Revenue Bond Debt Service		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	525,356	525,356
	525,356	525,356
1,895,000	1,895,000	
830,038	794,106	35,932
2,725,038	2,689,106	35,932
(2,725,038)	(2,163,750)	561,288
	2,598,913	2,598,913
	2,598,913	2,598,913
(2,725,038)	435,163	3,160,201
2,034,324	2,550,200	515,876
\$ (690,714)	\$ 2,985,363	\$ 3,676,077

Totals		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	1,280	1,280
	270,592	270,592
	525,356	525,356
	797,228	797,228
2,120,000	2,120,000	
952,019	913,847	38,172
3,072,019	3,033,847	38,172
(3,072,019)	(2,236,619)	835,400
	2,598,913	2,598,913
	2,598,913	2,598,913
(3,072,019)	362,294	3,434,313
2,202,243	2,718,119	515,876
\$ (869,776)	\$ 3,080,413	\$ 3,950,189

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	School Plant - Special Construction	Emergency Deficiencies Correction	Building Renewal	Federal Impact Aid Construction	Totals
Assets:					
Cash and investments	\$ 15,089	\$	\$ 624	\$ 289,463	\$ 305,176
Due from other governmental entities		600			600
Total assets	<u>\$ 15,089</u>	<u>\$ 600</u>	<u>\$ 624</u>	<u>\$ 289,463</u>	<u>\$ 305,776</u>
Liabilities and fund balances:					
Liabilities:					
Construction contracts payable	\$	\$	\$	\$	\$
Total liabilities					
Fund balances:					
Restricted	15,089	600	624	289,463	305,776
Total fund balances	<u>15,089</u>	<u>600</u>	<u>624</u>	<u>289,463</u>	<u>305,776</u>
Total liabilities and fund balances	<u>\$ 15,089</u>	<u>\$ 600</u>	<u>\$ 624</u>	<u>\$ 289,463</u>	<u>\$ 305,776</u>

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2016

	School Plant - Special Construction	Emergency Deficiencies Correction	Building Renewal	Federal Impact Aid Construction	Total
Revenues:					
Other local	\$ 65	\$ 600	\$ 3	\$ 1,251	\$ 1,919
State aid and grants					
Federal aid, grants and reimbursements					
Total revenues	<u>65</u>	<u>600</u>	<u>3</u>	<u>1,251</u>	<u>1,919</u>
Expenditures:					
Current -					
Capital outlay					
Total expenditures	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Excess (deficiency) of revenues over expenditures	<u>65</u>	<u>600</u>	<u>3</u>	<u>1,251</u>	<u>1,919</u>
Other financing sources (uses):					
Transfers in					
Transfers out					
Total other financing sources (uses)	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Change in fund balances	65	600	3	1,251	1,919
Fund balances (deficits), beginning of year	15,024		621	288,212	303,857
Fund balances (deficits), end of year	<u>\$ 15,089</u>	<u>\$ 600</u>	<u>\$ 624</u>	<u>\$ 289,463</u>	<u>\$ 305,776</u>

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2016

	School Plant - Special Construction		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 65	\$ 65
Federal aid, grants and reimbursements			
Total revenues		65	65
Expenditures:			
Current -			
Capital outlay	15,024		15,024
Total expenditures	15,024		15,024
Excess (deficiency) of revenues over expenditures	(15,024)	65	15,089
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Change in fund balances	(15,024)	65	15,089
Fund balances (deficits), beginning of year	15,024	15,024	
Fund balances (deficits), end of year	\$	\$ 15,089	\$ 15,089

Emergency Deficiencies Correction		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 600	\$ 600
	600	600
	600	600
	600	600
	600	600
\$	\$ 600	\$ 600

Building Renewal		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 3	\$ 3
	3	3
	3	3
	3	3
	3	3
	621	621
\$	\$ 624	\$ 624

(Continued)

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)

	Federal Impact Aid Construction	
	Budget	Variance - Positive (Negative)
Revenues:		
Other local	\$	\$ 1,251
Federal aid, grants and reimbursements		
Total revenues		1,251
Expenditures:		
Current -		
Capital outlay		
Total expenditures		
Excess (deficiency) of revenues over expenditures		1,251
Other financing sources (uses):		
Transfers in		
Transfers out		
Total other financing sources (uses)		
Change in fund balances		1,251
Fund balances (deficits), beginning of year		288,212
Fund balances (deficits), end of year	\$	\$ 289,463

Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 1,919	\$ 1,919
	1,919	1,919
15,024		15,024
15,024		15,024
(15,024)	1,919	16,943
(15,024)	1,919	16,943
15,024	303,857	288,833
\$	\$ 305,776	\$ 305,776

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SINGLE AUDIT SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board
Window Rock Unified School District No. 8
Fort Defiance, AZ

Members of the Board:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Window Rock Unified School District No. 8 (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Window Rock Unified School District No. 8's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

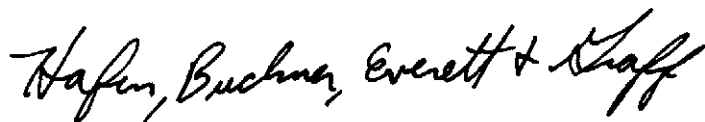
We noted certain matters that we reported to the management of the Window Rock Unified School District No. 8, in a separate letter dated February 20, 2017.

District's Response to Findings

The District's response to finding 2016-001 identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hafen, Buckner, Everett, and Graff, PC
February 20, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Window Rock Unified School District No. 8
Fort Defiance, AZ

Report on Compliance for Each Major Federal Program

We have audited Window Rock Unified School District No. 8's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Window Rock Unified School District No. 8's major federal programs for the year ended June 30, 2016. Window Rock Unified School District No. 8's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Window Rock Unified School District No. 8's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Window Rock Unified School District No. 8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Window Rock Unified School District No. 8's compliance.

Basis for Qualified Opinion on CFDA's #84.377 School Improvement Grants, #10.555 National School Lunch Program, #84.041 Federal Impact Aid, #84.060 Indian Education – Grants to LEA's

As described in the accompanying schedule of findings and questioned costs, Window Rock Unified School District No. 8 did not comply with requirements regarding CFDA's #84.377 School Improvement Grants, #10.555 National School Lunch Program, #84.041 Federal Impact Aid, #84.060 Indian Education – Grants to LEA's as described in respective finding numbers 2016-002 through 2016-005 – Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for Window Rock Unified School District No. 8 to comply with the requirements applicable to that program.

Qualified Opinion on CFDA's #84.377 School Improvement Grants, #10.555 National School Lunch Program, #84.041 Federal Impact Aid, #84.060 Indian Education – Grants to LEA's

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on CFDA's #84.377 School Improvement Grants, #10.555 National School Lunch Program, #84.041 Federal Impact Aid, #84.060 Indian Education – Grants to LEA's paragraph above, Window Rock Unified School District No. 8 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA's #84.377 School Improvement Grants, #10.555 National School Lunch Program, #84.041 Federal Impact Aid, #84.060 Indian Education – Grants to LEA's for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Window Rock Unified School District No. 8 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-006. Our opinion on each major federal program is not modified with respect to these matters.

Window Rock Unified School District No. 8's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Window Rock Unified School District No. 8's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Window Rock Unified School District No. 8, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Window Rock Unified School District No. 8's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Window Rock Unified School District No. 8's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-002 through 2016-005 to be significant deficiencies.

Window Rock Unified School District No. 8's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Window Rock Unified School District No. 8's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hafen, Buckner, Everett, & Graff PC
February 20, 2017

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal or Pass-Through Grantor	Federal CFDA #	Grantor's Number	Expenditures	Major Program
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Programs:				
Federal Impact Aid	84.041	S041B160275	\$ 13,684,851	X
Indian Education - Grants to Local Educational Agencies	84.060	S060A150838	365,400	
Passed through Arizona Department of Education:				
Title I, Part A Cluster:				
Title I, Part A Grants to Local Educational Agencies	84.010	S010A040003	1,170,939	
School Improvement Grants	84.377	S377A16	140,785	
Improving Teacher Quality - Title II	84.367	S281A030003	130,201	
Language Acquisition State Grants	84.365	T365A020003	19,941	
Race to the Top - Early Learning Challenge	84.413	B413A1200005	18,703	
Special Education Cluster:				
Special Education - Grants to States	84.027	H027A0090007	436,263	
Special Education - Navajo Nation	84.027	99-054-ED	16,382	
Special Education - Preschool Grants	84.173	II173A000003	21,951	
Vocational Education Grant	84.048	V048A110003	23,218	
Total U.S. Department of Education			<u>16,028,634</u>	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed through Arizona Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities)				
National School Lunch Programs	10.555	7AZ300AZ3	101,894	
Cash Assistance				
School Breakfast Programs	10.553	7AZ300AZ3	243,425	
National School Lunch Programs	10.555	7AZ300AZ3	694,078	
Total U.S. Department of Agriculture			<u>1,039,397</u>	
<u>U.S. DEPARTMENT OF INTERIOR</u>				
Passed through Navajo Nation:				
Indian Education - Assistance to Schools	15.130	SMK0E060699	141,146	
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 17,209,177</u>	

See accompanying notes to schedule.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Window Rock Unified School District No. 8 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements*. Some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the *Catalog of Federal Domestic Assistance*.

NOTE 3 – E-RATE FUNDING

The District received \$455,995 of assistance associated with the E-Rate reimbursement program sponsored by the Federal Communication Commission, passed through the Universal Service Administrative Co. – Schools and Libraries Division. This assistance is not considered Federal Awards in accordance with the Uniform Guidance, and therefore the related expenditures are not presented in this schedule.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted?

 yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

Type of auditors' report issued on compliance for major programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

 X yes No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.041

Federal Impact Aid

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Reference Number: 2016-001

Type of Finding: Noncompliance, Significant Deficiency

Description: Internal Controls over Accounting Records and Financial Reporting

CRITERIA

District management is responsible for establishing and maintaining internal controls that include controls for the GAAP basis financial statements issued by the District. The District's system of internal controls must extend beyond the cash basis general ledger and the supporting schedules prepared by the District; rather it must also include controls over the GAAP basis financial statements. As such, management requested the auditors to prepare a draft of the financial statements, including related note disclosures. The outsourcing of these services is not unusual with school districts and is the result of management's cost benefit decision to rely on the accounting expertise of the auditors. Also, as part of the financial statement preparation, we proposed certain adjusting journal entries.

CONDITION/CONTEXT

The District's management did not have adequate internal control procedures in place over the financial statements issued by the District using the basis of accounting required by generally accepted accounting principles (GAAP). While the District's management and staff have an understanding of Arizona statutes, budgetary controls, general ledger controls, and compliance requirements, sufficient internal controls are not in place for the fund-based and government-wide financial statements and related notes to the financial statements. Also, the District did not adequately reconcile the construction in progress account in order to determine that all capital assets were appropriately recorded in the proper fiscal year.

EFFECT

The District's internal controls over financial reporting at the financial statement level are not adequate to ensure that a misstatement would be prevented and/or detected.

CAUSE

The District's internal controls over accounting records and financial reporting at the financial statement and general ledger level were not adequate to ensure that a misstatement would be prevented and/or detected. Audit adjustments were required. Errors in coding and allocations of revenue were also noted.

RECOMMENDATION

The District must design and implement effective internal control procedures to ensure the financial statements and related notes are free from material misstatements. Specifically, the District should use checklists to aid in review of the financial statements and related notes to the financial statements. The District's personnel should obtain additional training to increase their understanding of the GAAP basis financial statements drafted by the audit firm as well as the related adjusting entries posted during the conversion of the cash basis general ledger to the accrual basis financial statements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The District has worked diligently over the past several years to bring its financial records into compliance with the Uniform System of Financial Reporting. The District will continue to work at eliminating the need for audit adjustments in the cash basis to accrual basis of accounting conversion process.

Contact Person: Heather Duncan, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Reference Number: 2016-002

Program: School Improvement Grants

CFDA Number: 84.377

Federal Agency: U.S. Department of Education

Pass-Through Agency: Arizona Department of Education

Applicable ARRA Programs: N/A

Grantor Number: S377A16

Questioned Costs: \$105,000

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Procurement and Suspension and Debarment

CRITERIA

The District is required to follow Arizona State Purchasing laws, policies, and procedures as outlined by the Uniform System of Financial Records for School Districts (USFR). Those guidelines require that the District obtain verbal quotations, written quotations, and competitive bids based on pre-determined criteria. For fiscal year 2015-16 purchases exceeding \$100,000 (unless exempt) are required to follow competitive sealed proposals for the procurement of construction, materials, and services.

CONDITION/CONTEXT

For one vendor file examined it was noted that the vendor was paid more than \$100,000 for goods but the goods were not put out for bid by Request for Proposal or Invitation for Bid as required by the USFR. It was noted that the District did not perform any competitive bidding procedures for fiscal year 2015-16.

EFFECT

The District was not in compliance with the policies set forth by the USFR in regards to procurement of goods/services and therefore was not in compliance with procurement guidelines as set forth by the Federal Government.

CAUSE

The District did not follow policies and procedures to ensure that vendors paid over pre-determined amounts during a contract period were competitively bid as required.

RECOMMENDATION

The District should take measures to ensure compliance with Federal government policies regarding the procurement of goods/services as required and outlined by the USFR compliance questionnaire.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The District will review the USFR procurement rules and all purchases of goods/services with Federal funds to ensure future compliance in this area. The District will continue to improve its purchasing procedures to ensure competitive bidding compliance when required.

Contact Person: Heather Duncan, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Reference Number: 2016-003

Program: National School Lunch Program

CFDA Number: 10.555

Federal Agency: U.S. Department of Agriculture

Pass-Through Agency: Arizona Department of Education

Applicable ARRA Programs: N/A

Grantor Number: 7AZ300AZ3

Questioned Costs: \$90,925

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Procurement and Suspension and Debarment

CRITERIA

The District is required to follow Arizona State Purchasing laws, policies, and procedures as outlined by the Uniform System of Financial Records for School Districts (USFR). Those guidelines require that the District obtain verbal quotations, written quotations, and competitive bids based on pre-determined criteria. For fiscal year 2015-16 purchases exceeding \$50,000, but less than \$100,000 (unless exempt), are required to obtain three written price quotations for the procurement of construction, materials, and services.

CONDITION/CONTEXT

For one vendor file examined it was noted that the vendor was paid more than \$50,000 for goods/services but the USFR was not followed. Three written price quotations were obtained by the District but the District failed to adequately document why the lowest priced vendor was not selected.

EFFECT

The District was not in compliance with the policies set forth by the USFR in regards to procurement of goods/services and therefore was not in compliance with procurement guidelines as set forth by the Federal Government.

CAUSE

The District did not follow policies and procedures to ensure that vendors paid over pre-determined amounts during a contract period were competitively bid as required.

RECOMMENDATION

The District should take measures to ensure compliance with Federal government policies regarding the procurement of goods/services as required and outlined by the USFR compliance questionnaire.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The District will review the USFR procurement rules and all purchases of goods/services with Federal funds to ensure future compliance in this area. The District will continue to improve its purchasing procedures to ensure competitive bidding compliance when required.

Contact Person: Heather Duncan, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Reference Number: 2016-004

Program: Federal Impact Aid

CFDA Number: 84.041

Federal Agency: U.S. Department of Education

Pass-Through Agency: N/A

Applicable ARRA Programs: N/A

Grantor Number: N/A

Questioned Costs: \$98,609

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Procurement and Suspension and Debarment

CRITERIA

The District is required to follow Arizona State Purchasing laws, policies, and procedures as outlined by the Uniform System of Financial Records for School Districts (USFR). Those guidelines require that the District obtain verbal quotations, written quotations, and competitive bids based on pre-determined criteria. For fiscal year 2015-16 purchases exceeding \$50,000, but less than \$100,000 (unless exempt), are required to obtain three written price quotations for the procurement of construction, materials, and services. Purchases exceeding \$10,000, but less than \$50,000 (unless exempt), are required to obtain three oral price quotations for the procurement of construction, materials, and services.

CONDITION/CONTEXT

For one vendor file examined it was noted that the vendor was paid more than \$50,000 for goods/services but the USFR was not followed. Three written price quotations were obtained by the District but the District failed to adequately document why the lowest priced vendor was not selected. For one vendor file examined it was noted that the vendor was paid more than \$10,000 for goods/services but the USFR was not followed. Three oral price quotations were not obtained by the District when required.

EFFECT

The District was not in compliance with the policies set forth by the USFR in regards to procurement of goods/services and therefore was not in compliance with procurement guidelines as set forth by the Federal Government.

CAUSE

The District did not follow policies and procedures to ensure that vendors paid over pre-determined amounts during a contract period were competitively bid as required.

RECOMMENDATION

The District should take measures to ensure compliance with Federal government policies regarding the procurement of goods/services as required and outlined by the USFR compliance questionnaire.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The District will review the USFR procurement rules and all purchases of goods/services with Federal funds to ensure future compliance in this area. The District will continue to improve its purchasing procedures to ensure competitive bidding compliance when required.

Contact Person: Heather Duncan, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Reference Number: 2016-005

Program: Indian Education – Grants to LEA's

CFDA Number: 84.060

Federal Agency: U.S. Department of Education

Pass-Through Agency: N/A

Applicable ARRA Programs: N/A

Grantor Number: N/A

Questioned Costs: \$35,805

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Procurement and Suspension and Debarment

CRITERIA

The District is required to follow Arizona State Purchasing laws, policies, and procedures as outlined by the Uniform System of Financial Records for School Districts (USFR). Those guidelines require that the District obtain verbal quotations, written quotations, and competitive bids based on pre-determined criteria. For fiscal year 2015-16 purchases exceeding \$10,000, but less than \$50,000 (unless exempt), are required to obtain three oral price quotations for the procurement of construction, materials, and services.

CONDITION/CONTEXT

For one vendor file examined it was noted that the vendor was paid more than \$10,000 for goods/services but the USFR was not followed. Three oral price quotations were not obtained by the District when required.

EFFECT

The District was not in compliance with the policies set forth by the USFR in regards to procurement of goods/services and therefore was not in compliance with procurement guidelines as set forth by the Federal Government.

CAUSE

The District did not follow policies and procedures to ensure that vendors paid over pre-determined amounts during a contract period were competitively bid as required.

RECOMMENDATION

The District should take measures to ensure compliance with Federal government policies regarding the procurement of goods/services as required and outlined by the USFR compliance questionnaire.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The District will review the USFR procurement rules and all purchases of goods/services with Federal funds to ensure future compliance in this area. The District will continue to improve its purchasing procedures to ensure competitive bidding compliance when required.

Contact Person: Heather Duncan, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Reference Number: 2016-006

Program: Title I Grants to Local Educational Agencies, School Improvement Grants, National School Lunch Program, Federal Impact Aid, Indian Education – Grants to LEA's, Indian Education – Assistance to Schools

CFDA Number: 84.010, 84.377, 10.555, 84.041, 84.060, 15.130

Federal Agency: U.S. Department of Education, U.S. Department of Education, U.S. Department of Agriculture, U.S. Department of Education, US Department of Education, U.S Department of Interior

Pass-Through Agency: Arizona Department of Education, Arizona Department of Education, Arizona Department of Education, N/A, N/A, Navajo Nation

Applicable ARRA Programs: N/A

Grantor Number: S010A040003, S377A16, 7AZ300AZ3, N/A, N/A, SMK0E060699

Questioned Costs: N/A

Type of Finding: Noncompliance

Compliance Requirement: Procurement and Suspension and Debarment

CRITERIA

Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. Section 180.220 of the government-wide non-procurement debarment and suspension common rule contains those additional circumstances. All non-procurement transactions (i.e., sub-award to sub-recipients), irrespective of award amount, are considered covered transactions.

CONDITION/CONTEXT

For all procurements that exceeded \$25,000 made from all Federal contracts, the District did not ensure that the vendor was suspended or debarred as required.

EFFECT

The District was not in compliance with the policies set forth by the Federal Government.

CAUSE

The District did not have policies and procedures in place to ensure vendors were not suspended or debarred for purchases above the requiring threshold amount.

RECOMMENDATION

The District should take measures to ensure compliance with Federal government policies regarding suspension and debarment.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Window Rock Unified School District will ensure additional training is provided in the areas of compliance with Federal government policies regarding suspension and debarment. The District will review the suspension and debarment rules with applicable staff members to ensure future compliance in this area.

Contact Person: Heather Duncan, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

Status of Federal Award Findings and Questioned Costs

Reference Number: 2015-001 – GAAS internal control weaknesses

Program: Impact Aid Cluster; Indian Education – Grants to Local Education Agencies; Title 1, Part A Cluster; Special Education Cluster; Child Nutrition Cluster

CFDA Numbers: 84.041, 84.060, 84.010, 84.367, 84.027, 10.553, 10.555, 15.130.

Status: Not corrected, see current year finding 2016-001.

Reference Number: 2015-002 – Equipment and Real Property Management

Program: Impact Aid

CFDA Numbers: 84.041

Status: Corrected.

Reference Number: 2015-003 – Special Tests and Provisions

Program: Title I Grants to LEA's

CFDA Numbers: 84.010

Status: Corrected.

Reference Number: 2015-004 – Allowable Costs / Costs Principles

Program: Title I Grants to LEA's, Special Education – Grants to States, Indian Education – Assistance to Schools

CFDA Numbers: 84.010, 84.027, 15.130

Status: Corrected.

Reference Number: 2015-005 – Procurement and Suspension and Debarment

Program: National School Lunch Programs

CFDA Numbers: 10.555

Status: Not corrected, see current year findings 2016-002 through 2016-005.