
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016



FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98

FOUNTAIN HILLS, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Issued by:
Business and Support Services Department

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INTRODUCTORY SECTION





FOUNTAIN HILLS
UNIFIED SCHOOL DISTRICT

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March 27, 2017

Citizens and Governing Board
Fountain Hills Unified School District No. 98
16000 East Palisades Boulevard
Fountain Hills, Arizona 85268

State law mandates that school districts required to undergo an annual single audit publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Fountain Hills Unified School District No. 98 (District) for the fiscal year ended June 30, 2016.

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

The District's financial statements have been audited by Henry & Horne, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair



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presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in a separately issued Single Audit Reporting Package.

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

PROFILE OF THE DISTRICT

The District is one of 58 public school districts located in Maricopa County, Arizona. It provides a program of public education from kindergarten through grade 12, with an estimated current enrollment of 1,506.

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

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

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

The District was founded in 1970 and encompasses approximately 24 square miles. The District is situated in the central portion of Maricopa County, Arizona in the east sector of the greater Phoenix metropolitan area. The estimated population within the District is 23,031.



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The District has four schools with a fiscal year 2015-16 average daily membership of 1,506, a decrease of 5 percent over the previous school year. About 170 employees work in the District. The District has a sizable tax base of above-average income and housing values.

While residential building has been sluggish due to economic factors, the tax base remains stable and above average for the community. The Town of Fountain Hills was founded in 1970 and incorporated in 1989. Fountain Hills had a 1990 population of 10,030 and a 2004 estimated population of 22,033, an increase of 120%. The District has experienced a decline in student population over the past several years. The apparent major cause behind the shift in student generation in Fountain Hills District appears to be the aging of the existing population and the shift toward older home buyers, both with and without children.

The annual expenditure budget serves as the foundation for the District's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual expenditure budget approved by the District's Governing Board.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy. Maricopa County is located in the south-central portion of Arizona and encompasses an area of approximately 9,203 square miles. Its 2012 population was estimated at 3,824,058 and is expected to reach 6 million by 2028. It is by far Arizona's most populous county, encompassing well more than half of the state's residents. Maricopa County for some time enjoyed an unemployment rate that was somewhat lower than the national average. The county seat is Phoenix, which is Arizona's largest city and capital.

Service is still the largest employment sector in the County, partly fueled by the tourist industry. The County has excellent accommodations, diverse cultural and recreational activities, and a favorable climate attracting millions to the area annually. Wholesale and retail trade is the second largest employment category, employing over a quarter million people



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Manufacturing consisting primarily of high technology companies is the third largest employer. Other factors aiding economic growth include major expansions of the international airport serving the area, a favorable business climate and the presence of a well-developed and expanding transportation infrastructure.

Phoenix is currently home to eight Fortune 1000 companies: waste management company Republic Services, electronics distribution companies Avnet and Insight Enterprises, mining company Freeport-McMoRan, retailer PetSmart, Northern Tier Energy, Swift Transportation, and Magellan Health. Honeywell's Aerospace division is headquartered in Phoenix, and the valley hosts many of their avionics and mechanical facilities. The largest non-government employer is Banner Health with over 39,000 employees. Intel has one of their largest sites here, employing about 11,000 employees and 3 chip manufacturing fabrication facilities. The military has a significant presence in Phoenix with Luke Air Force Base located in the western suburbs. In addition the metropolitan area provides excellent educational and training opportunities through seven community colleges, four private colleges and graduate schools, and one state university.

Long-term Financial Planning. The district has been experiencing a decrease in average daily membership over the past seven years. However, a 3500 acre parcel currently owned by the State Land Trust is expected to go back on the market within the next 12 months. This parcel is within District boundaries and it is anticipated that if this parcel is developed, it could add approximately 600 students upon build-out.

In August 2011, to address projected declining enrollment, the District closed the original Four Peaks Elementary School which served as an intermediate school for grades 3 through 5. Following the closure of this site, third-grade students were transferred to McDowell Mountain Elementary and fourth and fifth grades were relocated to the Fountain Hills Middle School site. While sharing one site, Four Peaks Elementary and Fountain Hills Middle School are two distinct schools. The closure of the school saved the District approximately \$127,000 in M&O costs. The building is being properly and adequately maintained and will transition to become an East Valley Institute of Technology (EVIT) campus beginning in August 2017. The District estimates that we can accommodate up to 1000 additional students at the other three sites in the event that we experience growth.

AWARDS AND ACKNOWLEDGMENTS

Awards. The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the seventh year that the District has received this prestigious award. In addition, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded these certificates, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and



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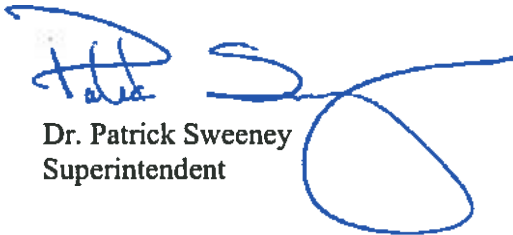
applicable legal requirements.

These certificates are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the programs' requirements and we are submitting it to ASBO and GFOA to determine its eligibility for the fiscal year ended June 30, 2016 certificates.

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

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

Respectfully submitted,



Dr. Patrick Sweeney
Superintendent



Dr. Robert Allen
Assistant Superintendent of Business Operations



FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98

LIST OF PRINCIPAL OFFICIALS

GOVERNING BOARD

Edith Stock
President

Jill Reed
Vice President

Judith Rutkowski
Member

Dr. C.T. Wright
Member

Dr. Wendy Barnard
Member

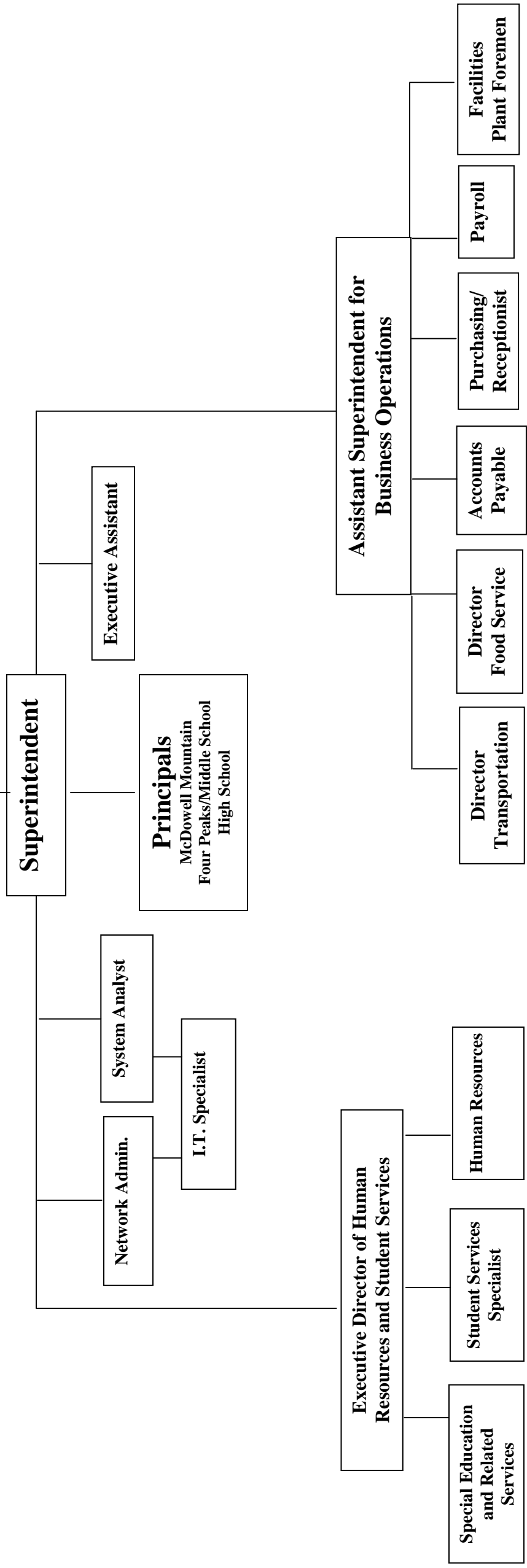
ADMINISTRATIVE STAFF

Dr. Patrick Sweeney
Superintendent

Dr. Robert Allen
Executive Director, Business and Support Services

COMMUNITY

FHUSD Governing Board
 Jill Reed, President Edith Stock, Vice President Dr. C.T. Wright Judith Rutkowski Dr. Wendy Barnard



Fountain Hills Unified School District #98
District Organization Chart
 2015-2016

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Governing Board
Fountain Hills Unified School District No. 98
Fountain Hills, AZ

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 Fountain Hills Unified School District No. 98 (District) as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fountain Hills Unified School District No. 98 as of June 30, 2016, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application, that could have a material impact on the financial statements. For the Fountain Hills Unified School District No. 98, GASB Statement No. 72 has added disclosures to the financial statements. 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, pension information and budgetary schedules, as listed in the table of contents, are 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 Fountain Hills Unified School District No. 98 basic financial statements. The introductory section, other supplementary information, and statistical section 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 other supplementary information 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 supplementary information 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Henry + Horne LLP

Casa Grande, Arizona
March 27, 2017

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2016

As management of the Fountain Hills Unified School District No. 98 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the current fiscal year.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities increased \$611,818 from the prior fiscal year.
- General revenues accounted for \$13.2 million in revenue, or 80 percent of all current fiscal year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3.2 million or 20 percent of total current fiscal year revenues.
- The District had approximately \$15.8 million in expenses related to governmental activities.
- Among major funds, the General Fund had \$10.2 million in current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$10.3 million in expenditures. The General Fund's fund balance decrease of \$9,865 was primarily due to a decrease in property tax revenue.

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.

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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 decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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, SFB Stimulus, Civic Center, Unrestricted Capital Outlay, and New School Facilities Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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 balances – budget and actual has been provided for the General Fund 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 exceeded liabilities by \$24.5 million at the current fiscal year end.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements; buildings and improvements; and vehicles, furniture, and equipment). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current Assets	9,275,572	\$ 10,185,182
Capital assets, net	<u>45,103,985</u>	<u>45,741,608</u>
Total assets, net	<u>54,379,557</u>	<u>55,926,790</u>
Deferred outflows of resources	<u>1,025,672</u>	<u>1,427,614</u>
Current liabilities	2,114,017	2,659,645
Long-term liabilities	<u>26,215,628</u>	<u>27,523,568</u>
Total liabilities	<u>28,329,645</u>	<u>30,183,213</u>
Deferred inflows of resources	<u>1,970,730</u>	<u>2,678,171</u>
Net position:		
Net investment in capital assets	30,590,493	29,937,583
Restricted	5,340,577	5,668,052
Unrestricted	<u>(10,826,232)</u>	<u>(11,112,615)</u>
Total net position	<u><u>25,104,838</u></u>	<u><u>24,493,020</u></u>

The District's financial position is the product of several financial transactions including the net result of activities, and the depreciation of capital assets. The largest portion of the net position reflects the District's investment in capital assets. The net investment in capital assets increased as a result of payments made on debt related to capital asset acquisition.

The District reported \$5.3 million in restricted net position represents the accumulation of assets that are subject to external restrictions. The majority of the accumulated assets are restricted for capital improvements.

Unrestricted net position increased \$286,383 which is largely due to the District reducing expenditures from the prior fiscal year.

Changes in net position. The District's total revenues for the current fiscal year were \$16.3 million. The total cost of all programs and services was \$15.7 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:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues:		
Program Revenues:		
Charges for services	485,053	\$ 521,816
Operating grants and contributions	2,589,815	2,156,906
Capital grants and contributions	118,918	41,809
General Revenues:		
Property taxes	9,576,924	9,072,660
Unrestricted federal aid	276,631	377,681
Unrestricted state aid	2,878,094	2,982,585
Investment income	61,327	15,190
Miscellaneous	365,688	3,310
Total revenues	<u>16,352,450</u>	<u>15,171,957</u>
Expenses:		
Instruction	7,957,479	9,537,930
Support services - students and staff	1,295,990	1,365,657
Support services - administration	2,383,025	2,008,673
Operation and maintainance of plant services	2,354,074	1,373,345
Student transportation services	893,237	1,202,065
Operation of non-instructional services	382,185	476,025
Interest of long-term debt	474,642	521,993
Total expenses	<u>15,740,632</u>	<u>16,485,688</u>
Change in net position	611,818	(1,313,731)
Net position, beginning of year	24,493,020	39,763,138
Restatement	-	(13,956,387)
Net position, beginning of year -restated	<u>24,493,020</u>	<u>25,806,751</u>
Net posistion, end of year	<u>25,104,838</u>	<u>24,493,020</u>

The net cost is the financial burden that was placed on the State and District's taxpayers by each of the functions presented on the Statement of Net Position. Total revenues declined \$0.6 million from the prior year. This is largely due to a decrease in property tax revenue of \$1.3 million. Overall expenses decreased by \$2.1 million from the prior year.

The following table presents the cost of the District's major functional activities. 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, 2016		Year ended June 30, 2015	
	Total	Net(Expense)/	Total	Net(Expense)/
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 7,957,479	\$ (5,284,089)	\$ 9,537,930	\$ (7,944,147)
Support services - students and staff	1,295,990	(1,295,990)	1,365,657	(1,222,411)
Support services - administration	2,383,025	(2,383,025)	2,008,673	(1,798,639)
Operation and maintenance of plant services	2,354,074	(2,204,900)	1,373,345	(1,138,607)
Student transportation services	893,237	(893,237)	1,202,065	(1,075,979)
Operation of non-instructional services	382,185	(10,963)	476,025	(63,381)
Interest of long-term debt	474,642	(474,642)	521,993	(521,993)
Total expenses	\$ 15,740,632	\$ (12,546,846)	\$ 16,485,688	\$ (13,765,157)

Federal and State grants, charges for services, and other contributions were used to finance \$3.2 million of the District's \$15.7 million in expenses. The net costs of the District's activities of \$12.5 million were financed by general revenue, which are made up of mainly property taxes of \$9.6 million and state aid which is made up of \$2.9 million.

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 \$6.0 million.

The General Fund is the principal operating fund of the District. The decrease in fund balance of \$9,865 to \$551,826 as of fiscal year end was a result of a reduction in property taxes exceeding the reduction of expenditures.

The Title I Grant Fund had a decrease in fund balance due to decrease in grant revenue for the current year.

The Special Education Grant fund had an increase in fund balance of \$292,606 which was due to an increase in grant revenues for the fiscal year.

The Unrestricted Capital Outlay Fund had \$776,021 in current fiscal year revenues, which primarily consisted of property taxes, and \$516,495 in expenditures. The Unrestricted Capital Outlay Fund's fund balance increased from \$1.2 million at the prior fiscal year end to \$1.4 million at the end of the current fiscal year was primarily due to a decrease in expenditures.

The Bond Building Fund had an decrease in fund balance of \$1.6 million. The decrease is due the District utilizing bond proceeds issued in the prior year.

The Debt Service Fund had a decrease in fund balance of \$96,223. This is a result of bond payments principal and interest payments exceeded property tax revenues for the fiscal year.

BUDGET HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget. The difference between the original budget and the final amended budget was \$431,076 increase, or 4 percent and was a result of increased state funding made during the year.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. There were no significant variances between the final amended budget and actual expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year-end, the District had invested \$45.1 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. Additions to the capital assets for the current year were \$1.2 million. A majority of the increase was related to energy efficiency upgrades at all district locations. Total depreciation expense for the current fiscal year was \$1.9 million.

Additional information on the District's capital assets can be found in Note 5.

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. Among them:

- Fiscal year 2015-16 budget balance carry forward.
- Changes in student population
- Changes in funding at the state level.

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

Budgeted expenditures in the General Fund decreased 4.0% in fiscal year 2016-17. Decreased student enrollment is the primary reason for the decrease. State aid and property taxes are expected to be the primary funding sources.

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 Support Services Department, Fountain Hills Unified School District No. 98, 16000 East Palisades Boulevard, Fountain Hills, Arizona 85268.



FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS



FINANCIAL SECTION

GOVERNMENTAL FUND FINANCIAL STATEMENTS



FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
Assets	
Cash and investments	\$ 7,765,118
Property taxes receivable	911,903
Due from other governments	598,535
Capital assets:	
Nondepreciable capital assets	2,860,836
Other capital assets (net of accumulated depreciation)	42,243,149
Total assets	<u>54,379,541</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	335,472
Deferred employer contributions to pensions	690,200
Total deferred outflows of resources	<u>1,025,672</u>
Liabilities	
Accounts payable	121,961
Due to other governments	398,394
Accrued payroll and employee benefits	640
Accrued interest	244,500
Noncurrent liabilities:	
Due within one year:	
Compensated absences	113,522
Bonds payable	1,235,000
Due in more than one year:	
Compensated absences	643,292
Bonds payable	13,278,492
Net pension liability	12,293,844
Total liabilities	<u>28,329,645</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,970,730
Total deferred inflows of resources	<u>1,970,730</u>
Net Position	
Net Investment in capital assets	30,590,493
Restricted for:	
Federal and state projects	168,396
Food service	52,783
Joint technical education	538,505
Extracurricular activities	585,697
Debt service	134,982
Capital outlay	3,860,214
Unrestricted (deficit)	<u>(10,826,232)</u>
Total net position	<u>\$ 25,104,838</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 STATEMENT OF ACTIVITIES
 June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>
Primary government:	
Governmental activities:	
Instruction	\$ 7,957,479
Support services:	
Students and staff	1,295,990
General administration	2,383,025
Operation and maintenance of plant services	2,354,074
Student transportation	893,237
Operation of noninstructional services	382,185
Interest on long-term debt	474,642
Total governmental activities	<u>\$ 15,740,632</u>

Program Revenues			Net (Expense) Revenue and Changes in Net Position
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 27,766	\$ 2,589,815	\$ 55,809	\$ (5,284,089)
-	-	-	(1,295,990)
-	-	-	(2,383,025)
86,065	-	63,109	(2,204,900)
-	-	-	(893,237)
371,222	-	-	(10,963)
-	-	-	(474,642)
<u>\$ 485,053</u>	<u>\$ 2,589,815</u>	<u>\$ 118,918</u>	<u>\$ (12,546,846)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	7,259,894
Property taxes, levied for debt services	1,593,661
Property taxes, levied for capital outlay	723,369

Investment earnings	61,327
Unrestricted state aid	2,878,094
Unrestricted federal aid	276,631
Miscellaneous	365,688

Total general revenues and transfers 13,158,664

Change in net position 611,818

Net position, beginning of year 24,493,020

Net position, end of year \$ 25,104,838



FINANCIAL SECTION

FUND FINANCIAL STATEMENTS



FINANCIAL SECTION

GOVERNMENTAL FUND FINANCIAL STATEMENTS

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2016

	General Fund	Title I	Special Education Grants
ASSETS			
Cash and cash equivalents	\$ 154,861	\$ 267,968	\$ -
Receivables (net of allowances for uncollectibles):			
Property taxes	878,232	-	-
Due from other funds	358,098	-	-
Due from other governments	-	173,041	280,857
	<u>-</u>	<u>173,041</u>	<u>280,857</u>
Total assets	<u>\$ 1,391,191</u>	<u>\$ 441,009</u>	<u>\$ 280,857</u>
LIABILITIES			
Accounts payable	\$ 81,186	\$ 245	\$ -
Accrued payroll and employee benefits	640	-	-
Accrued interest	-	-	-
Due to other funds	-	-	321,378
Due to other governments	-	398,394	-
Bonds payable	-	-	-
Bond interest payable	-	-	-
Total liabilities	<u>81,826</u>	<u>398,639</u>	<u>321,378</u>
DEFERRED INFLOW OF RESOURCES			
Deferred revenue - property taxes	757,539	-	-
Deferred revenue - intergovernmental	-	127,971	280,857
Total deferred inflows of resources	<u>757,539</u>	<u>127,971</u>	<u>280,857</u>
FUND BALANCES			
Restricted	-	-	-
Assigned	-	-	-
Unassigned	551,826	(85,601)	(321,378)
Total fund balances	<u>551,826</u>	<u>(85,601)</u>	<u>(321,378)</u>
Total liabilities, deferred inflow of resources and fund balance	<u>\$ 1,391,191</u>	<u>\$ 441,009</u>	<u>\$ 280,857</u>

Unrestricted Capital Outlay	Bond Building	Debt Service	Nonmajor Funds	Total Governmental Funds
\$ 1,502,319	\$ 2,377,619	\$ 1,610,233	\$ 1,852,118	\$ 7,765,118
20,536	-	13,135	-	911,903
-	-	-	14,005	372,103
-	-	-	144,636	598,534
<u>\$ 1,522,855</u>	<u>\$ 2,377,619</u>	<u>\$ 1,623,368</u>	<u>\$ 2,010,759</u>	<u>\$ 9,647,658</u>
\$ 33,104	\$ -	\$ -	\$ 7,426	\$ 121,961
-	-	-	-	640
-	-	244,500	-	244,500
-	-	-	50,725	372,103
-	-	-	-	398,394
-	-	1,235,000	-	1,235,000
33,104	-	1,479,500	58,151	2,372,598
16,600	-	8,886	-	783,025
16,600	-	8,886	74,014	482,842
1,473,151	2,377,619	134,982	1,328,575	5,314,327
1,473,151	2,377,619	134,982	604,071	604,071
			(54,052)	90,795
<u>1,473,151</u>	<u>2,377,619</u>	<u>134,982</u>	<u>1,878,594</u>	<u>6,009,193</u>
<u>\$ 1,522,855</u>	<u>\$ 2,377,619</u>	<u>\$ 1,623,368</u>	<u>\$ 2,010,759</u>	<u>\$ 9,647,658</u>



FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2016

Total governmental fund balance		\$ 6,009,193
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 governmental funds.		
Governmental capital assets	76,749,869	
Less accumulated depreciation	<u>(31,645,884)</u>	45,103,985
Certain revenues earned but not received within 60 days of year-end are deferred for the governmental statements, but are recognized as revenue for the government-wide statements.		
Grants	482,842	
Property taxes	<u>783,026</u>	1,265,868
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(756,814)	
Bonds payable	(13,278,492)	
Net pension liability	<u>(12,293,844)</u>	(26,329,150)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	335,472	
Deferred outflows of employer contributions	690,200	
Deferred inflows of resources related to pensions	<u>(1,970,730)</u>	<u>(945,058)</u>
Net position of governmental activities		<u>\$ 25,104,838</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General Fund	Title I	Special Education Grants
REVENUES			
Property taxes	\$ 7,235,028	\$ -	\$ -
Intergovernmental grants and aid:			
Federal	330,877	-	289,319
State	2,111,551	-	324,370
Other local	539,694	-	-
Total revenues	<u>10,217,150</u>	<u>-</u>	<u>613,689</u>
EXPENDITURES			
Current:			
Instruction	4,750,001	124,606	149,914
Support services:			
Students and staff	865,125	50	82,278
General administration	2,156,807	3,070	87,793
Operation and maintenance of plant	1,646,218	-	-
Student transportation	802,816	245	-
Operation of noninstructional services	24,095	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>10,245,062</u>	<u>127,971</u>	<u>319,985</u>
Excess (deficiency) of revenues over expenditures	<u>(27,912)</u>	<u>(127,971)</u>	<u>293,704</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	32,838	-	-
Transfers out	(14,791)	-	(1,098)
Total other financing sources and uses	<u>18,047</u>	<u>-</u>	<u>(1,098)</u>
Net change in fund balances	(9,865)	(127,971)	292,606
Fund balances, beginning of year	<u>561,691</u>	<u>42,370</u>	<u>(613,984)</u>
Fund balances, end of year	<u>\$ 551,826</u>	<u>\$ (85,601)</u>	<u>\$ (321,378)</u>

Unrestricted Capital Outlay	Bond Building	Debt Service	Nonmajor Funds	Total Governmental Funds
\$ 735,533	\$ -	\$ 1,619,609	\$ 2	\$ 9,590,172
-	-	-	328,112	948,308
33,325	-	-	883,777	3,353,023
7,163	-	20,458	1,631,311	2,198,626
<u>776,021</u>	<u>-</u>	<u>1,640,067</u>	<u>2,843,202</u>	<u>16,090,129</u>
208,999	-	1,115	1,335,940	6,570,575
-	-	-	90,708	1,038,161
53,831	-	-	286,097	2,587,598
25,199	-	-	47,078	1,718,495
-	-	-	-	803,061
-	-	-	354,342	378,437
-	-	1,235,000	-	1,235,000
-	-	500,175	-	500,175
228,466	1,592,570	-	84,394	1,905,430
<u>516,495</u>	<u>1,592,570</u>	<u>1,736,290</u>	<u>2,198,559</u>	<u>16,736,932</u>
<u>259,526</u>	<u>(1,592,570)</u>	<u>(96,223)</u>	<u>644,643</u>	<u>(646,803)</u>
-	-	-	2,110	34,948
-	-	-	(19,059)	(34,948)
-	-	-	(16,949)	-
259,526	(1,592,570)	(96,223)	627,694	(646,803)
<u>1,213,625</u>	<u>3,970,189</u>	<u>231,205</u>	<u>1,250,900</u>	<u>6,655,996</u>
<u>\$ 1,473,151</u>	<u>\$ 2,377,619</u>	<u>\$ 134,982</u>	<u>\$ 1,878,594</u>	<u>\$ 6,009,193</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Net change in fund balances—total governmental funds \$ (646,803)

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

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

Expenditures for capitalized assets	1,212,609	
Current year depreciation	<u>(1,850,232)</u>	(637,623)

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

District pension contributions	690,200	
Pension expense	<u>(151,268)</u>	538,932

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues received in the current year that were accrued in the Statement of Activities in prior years are reported as revenues in the funds.

Grants	475,151	
Property taxes	<u>(159,519)</u>	315,632

Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt principal retirement	1,235,000
Amortization of bond premiums	25,533

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(218,853)

Change in net position of governmental activities

\$ 611,818



FINANCIAL SECTION

FIDUCIARY FUND FINANCIAL STATEMENTS



FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 STATEMENT OF ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 Year Ended June 30, 2016

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 8,912</u>
Total assets	<u><u>\$ 8,912</u></u>
Liabilities	
Due to students	<u>\$ 8,912</u>
Total liabilities	<u><u>\$ 8,912</u></u>



FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS



FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

The financial statements of the Fountain Hills Unified School District No. 98 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Reporting Entity

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

The membership of the Governing Board consists of three 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 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Basis of Accounting

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

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 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 resources are provided during the current year for payment of long-term debt principal and interest due early in the following year (not to exceed one month) and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes, 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. Deferred 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 deferred 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. 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.

Title I Grant Fund – The Title I Grant 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.

Special Education Grant Fund – The Special Education Grant Fund accounts for the supplemental financial assistance received to provide a free, appropriate public education to disabled children.

Unrestricted Capital Outlay Fund – The Unrestricted Capital Outlay Fund accounts for transactions relating to the acquisition of capital items.

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

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

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Basis of Accounting (Continued)

Additionally, the District reports the following fund type:

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

Cash and Cash Equivalents

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.

Investments

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 fund financial statements.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

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."

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

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 asset does not arise.

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 on the government-wide financial statements and as expenditures when purchased on the fund financial statements.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Property and Equipment

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

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. 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.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Land Improvements	20 years
Building & Improvements	7 to 50 years
Vehicles, Furniture & Equipment	5 to 20 years

Expense for additions and betterments that extend the useful lives of property and equipment are capitalized at cost and depreciated over the estimated remaining useful lives of the related assets. Expense for repairs and maintenance are charged to expense as incurred. Gains and losses on sales and retirements are reflected in income during the year of actual sale or retirement.

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. The District did not have any items that qualified for reporting in this category.

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.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Accrued sick leave is earned by all employees at a rate of one day for every month worked. All twelve-month permanent employees earn vacation; however, only 240 hours may be carried forward into any new fiscal year. The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

Long-term Obligations

In the government-wide 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 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.

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.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Change in Accounting Principle-Implementation of New GASB Pronouncements

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 establish standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. Fountain Hills Unified School District No. 98 adopted GASB No. 72 in fiscal year 2016. The adoption of GASB No. 72 has added disclosures in Note 2 of the District's financial statements.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Governing Board. 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 amounts. The District does not have a formal policy or procedures for the utilization of 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 General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by the formal Governing Board action. The District does not have a formal policy for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 FUND BALANCE CLASSIFICATIONS (Continued)

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

The District applies restricted resources first when 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.

NOTE 3 CASH AND INVESTMENTS

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

Statute authorizes the District to separately invest monies of the bond building and debt service funds in the State Treasurer's investment pool, obligations issued or guaranteed by the United States or any of its agencies or instrumentalities, specified state or local government bonds and notes, and interest-bearing savings accounts or certificates of deposit.

Statute authorize the District to deposit monies of the auxiliary operations and student activities funds in bank accounts. The District may also invest these monies. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer, revolving accounts to pay minor disbursements, and withholding accounts for taxes and employee insurance programs. Some of the bank accounts may be interest bearing.

Statutes require collateral for deposits as 102% of all deposits not covered by federal depository insurance. Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

Deposits – At June 30, 2016, the carrying amount of the District's deposits was \$626,480, and the bank balance was \$637,416. The bank balance was insured under the federal depository insurance.

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.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 3 CASH AND INVESTMENTS (Continued)

Credit Risk - The District has no investment policy that would further limit its investment choices. As of year-end, the District's investment in the County 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.

Investments - The District's investments at June 30, 2016 consisted of \$7,147,550 invested with the County Treasurer's investment pool. Investment in the County Treasurer's pool is valued using the District's proportionate participation in the pool because the pool's structure does not provide for shares. The State Board of Investment provides oversight for the State Treasurer's investment pool. No comparable oversight is provided for the County Treasurer's investment pool.

NOTE 4 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, were due from the State of Arizona.

	General Fund	Title I Fund	Special Education Fund	Unrestricted Capital Outlay Fund	Debt Service Fund	Non-Major Governmental Fund	Total
Due from other governments:							
Property tax assessments	\$ 878,232	\$ -	\$ -	\$ 20,536	\$ 13,135	\$ -	\$ 911,903
Due from other government	-	173,041	280,857	-	-	144,636	598,534
	<u>\$ 878,232</u>	<u>\$ 173,041</u>	<u>\$ 280,857</u>	<u>\$ 20,536</u>	<u>\$ 13,135</u>	<u>\$ 144,636</u>	<u>\$ 1,510,437</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,860,836	\$ -	\$ -	\$ 2,860,836
Construction in progress	874,162	-	(874,162)	-
Total capital assets not being depreciated	3,734,998	-	(874,162)	2,860,836
Capital assets, being depreciated:				
Land improvements	4,479,655	21,285	-	4,500,940
Buildings and improvements	62,193,074	1,071,107	874,162	64,138,343
Vehicles, furniture and equipment	5,129,533	120,217	-	5,249,750
Total capital assets being depreciated	71,802,262	1,212,609	874,162	73,889,033
Less accumulated depreciation for:				
Land improvements	(1,249,179)	(138,570)	-	(1,387,749)
Buildings and improvements	(24,350,818)	(1,459,211)	-	(25,810,029)
Vehicles, furniture and equipment	(4,195,655)	(252,451)	-	(4,448,106)
Total accumulated depreciation	(29,795,652)	(1,850,232)	-	(31,645,884)
Total capital assets, being depreciated, net	42,006,610	(637,623)	874,162	42,243,149
Governmental activities capital assets, net	\$ 45,741,608	\$ (637,623)	\$ -	\$ 45,103,985

Depreciation expense was charged to governmental functions as follows.

Governmental activities:	
Instruction	\$ 1,565,480
Support services- students and staff	7,067
Support services - general administration	21,175
Operation and maintenance of plant services	122,162
Student transportation	131,203
Operation of noninstructional services	3,145
Total depreciation expense	\$ 1,850,232

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 537,961	\$ 348,510	\$ 129,657	\$ 756,814	\$ 113,522
Bonds payable	15,475,000	-	1,265,000	14,210,000	1,235,000
Premiums	329,025		25,533	303,492	
Net pension liability	12,527,277		233,433	12,293,844	
Governmental activities long-term liabilities	<u>\$ 28,869,263</u>	<u>\$ 348,510</u>	<u>\$ 1,653,623</u>	<u>\$ 27,564,150</u>	<u>\$ 1,348,522</u>

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balance were as follows:

Due to/from other funds:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 372,103	\$ -
Special Education Grants	-	321,378
Non-Major Governmental Funds	-	50,725
Total	<u>\$ 372,103</u>	<u>\$ 372,103</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

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

Interfund transfers:

Fund	Transfers Out	Transfers In
General Fund	\$ 14,791	\$ 32,838
Special Education Grants	1,098	-
Non-Major Governmental Funds	19,059	2,110
Total	\$ 34,948	\$ 34,948

Transfers between funds are used (1) to close out various inactive funds and (2) to move investment income and premiums earned in the Bond Building Fund that is required by statute to be expended in the Debt Service Fund.

NOTE 8 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.

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The District contributes to the Arizona State Retirement System (ASRS) described below. The plan is a component unit of the State of Arizona.

At June 30, 2016, the District reported the following amounts related to the ASRS pension plan to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension liabilities	12,293,844
Deferred outflows of resources	1,025,672
Deferred inflows of resources	1,970,730
Pension expense	151,978

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District reported \$690,200 of pension contributions as expenditures in the governmental funds related to the ASRS pension plan to which it contributes.

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

Benefits Provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits 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* and any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*with actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the 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.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members 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 statute required the District 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 \$690,200. The District's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
2016	\$ 31,806	\$ 7,553
2015	42,852	8,397
2014	45,695	18,278

Pension Liability - At June 30, 2016, the District reported a liability of \$12,293,844 for its proportionate share of the ASRS' net pension liability. 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 the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was 0.078926%, which was a decrease of 0.0057373% from its proportion measured as of June 30, 2014.

The District's reported liability at June 30, 2016, decreased by \$233,433 from the District's prior year liability of \$12,527,277 because of changes in the ASRS' net pension liability and the District's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2016, the District recognized pension expense for ASRS of \$151,978. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 335,472	\$ 644,210
Net difference between projected and actual earnings on pension plan investments	-	393,990
Changes in proportion and differences between District contributions and proportionate share of contributions	-	932,530
District contributions subsequent to the measurement date	<u>690,200</u>	<u>-</u>
Total	<u>\$ 1,025,672</u>	<u>\$ 1,970,730</u>

The \$690,200 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2017	\$ (771,494)
2018	(803,753)
2019	(344,423)
2020	284,412
Thereafter	-

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 20, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 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	100%	

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate - The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 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 District's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% increase (9%)
District's proportionate share of the net pension liability	\$ 16,109,136	\$ 12,293,844	\$ 9,679,118

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

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, destruction of assets, error and omissions, injuries to employees, and other losses. The District carries commercial insurance for risks of loss, including workers' compensation, and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 DEFICIT FUND BALANCES

The deficit in the Title I and Special Education Grants Fund arose due to the District not receiving reimbursements within the period of availability. The District has amounts recorded as deferred revenue that will be reimbursed from the Arizona Department of Education (ADE) after the grant completion reports have been filed and approved.

The District also had several non-major funds with deficit balances which is also the result of untimely reporting requirements being met. The District is working on completing the necessary information in order to obtain reimbursement for these expenditures.



REQUIRED SUPPLEMENTARY INFORMATION



FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COST-SHARING PENSION PLAN
 June 30, 2016

Arizona Retirement System

	Reporting Fiscal Year (Measurement Date)		2014 through 2006
	2016 (2015)	2015 (2014)	
District's proportion of the net pension liability	0.078926%	0.084663%	Information not available
District's proportionate share of the net pension liability	\$12,293,844	\$ 12,527,277	
District's covered payroll	6,654,433	7,663,539	
District's proportionate share of the net pension liability as a percentage of its covered payroll	184.75%	163.47%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
 June 30, 2016

Arizona Retirement System	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Statutorily required contribution	\$ 722,006	\$ 833,793	\$ 858,794	Information not available
District's contributions in relation to the statutorily required contribution	722,006	833,793	858,794	
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	
District's covered payroll	\$ 6,654,433	\$ 7,663,539	\$ 8,026,112	
District's contributions as a percentage of covered payroll	10.85%	10.88%	10.70%	

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
Year Ended June 30, 2016

	Budgeted Amounts		Non-GAAP Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ 7,235,028	\$ 7,235,028
Intergovernmental grants and aid:				
State	-	-	2,111,551	2,111,551
Maricopa County	-	-	153,125	153,125
Total revenues	-	-	9,499,704	9,499,704
EXPENDITURES:				
Current:				
Instruction	4,798,950	4,580,290	4,535,671	44,619
Support services:				
Students and staff	1,132,087	980,724	845,706	135,018
General administration	1,504,609	2,110,852	1,794,658	316,194
Operation and maintenance of plant	1,634,355	1,697,000	1,645,918	51,082
Student transportation	738,058	841,500	802,816	38,684
Operation of noninstructional services	44,831	73,600	24,095	49,505
Capital outlay	-	-	-	-
Total expenditures	9,852,890	10,283,966	9,648,864	635,102
Excess (deficiency) of revenues over expenditures	(9,852,890)	(10,283,966)	(149,160)	10,134,806
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	8,449	8,449
Transfers out	-	-	(12,293)	(12,293)
Total other financing sources and uses	-	-	(3,844)	(3,844)
Net change in fund balances	(9,852,890)	(10,283,966)	(153,004)	10,130,962
Fund balance, beginning of year	-	-	(196,034)	(196,034)
Fund balance, end of year	\$ (9,852,890)	\$ (10,283,966)	\$ (349,038)	\$ 9,934,928

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2016

NOTE 1 BUDGETING AND BUDGETARY CONTROL

The District adopts an annual operating budget for expenditures for all governmental fund types. The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted, the budget can be increased or decreased only for specific reasons set forth in Arizona Revised Statutes.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within three subsections titled regular education programs, special education programs, and pupil transportation, any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

The District budget 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 but are included in the General Fund as required by GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions.

The following schedule reconciles expenditures and fund balances at year end.

	<u>Total Expenditures</u>	<u>Fund Balances End of Year</u>
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 10,245,062	\$ 551,826
Activity budgeted as special revenue funds	<u>(596,198)</u>	<u>(900,864)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget & Actual - General Fund	<u>\$ 9,648,864</u>	<u>\$ (349,038)</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 TITLE I FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
 AND ACTUAL
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental grants and aid:				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-
Investment earnings	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Instruction	240,623	198,419	124,606	73,813
Support services:				
Students and staff	97	80	50	30
General administration	5,928	4,889	3,070	1,819
Operation and maintenance of plant	-	-	-	-
Student transportation	473	390	245	145
Total expenditures	<u>247,121</u>	<u>203,777</u>	<u>127,971</u>	<u>75,806</u>
Excess (deficiency) of revenues over expenditures	<u>(247,121)</u>	<u>(203,777)</u>	<u>(127,971)</u>	<u>75,806</u>
Net change in fund balances	(247,121)	(203,777)	(127,971)	75,806
Fund balance, beginning of year			42,370	42,370
Fund balance, end of year	<u>\$ (247,121)</u>	<u>\$ (203,777)</u>	<u>\$ (85,601)</u>	<u>\$ 118,176</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
SPECIAL EDUCATION GRANTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental grants and aid:				
Federal	\$ -	\$ -	\$ 289,319	\$ 289,319
State	-	-	324,370	324,370
Total revenues	-	-	613,689	613,689
EXPENDITURES:				
Current:				
Instruction	133,292	127,929	149,914	(21,985)
Support services:				
Students and staff	73,155	70,212	82,278	(12,066)
General administration	78,058	74,918	87,793	(12,875)
Total expenditures	284,505	273,059	319,985	(46,926)
Excess (deficiency) of revenues over expenditures	(284,505)	(273,059)	293,704	566,763
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(1,098)	(1,098)
Total other financing sources and uses	-	-	(1,098)	(1,098)
Net change in fund balances	(284,505)	(273,059)	292,606	565,665
Fund balance, beginning of year	-	-	(613,984)	(613,984)
Fund balance, end of year	\$ (284,505)	\$ (273,059)	\$ (321,378)	\$ (48,319)

OTHER SUPPLEMENTARY INFORMATION



FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ 1,619,609	\$ 1,619,609
Intergovernmental grants and aid:				
Maricopa County	-	-	20,458	20,458
Total revenues	-	-	1,640,067	1,640,067
EXPENDITURES:				
Current:				
Instruction	927	1,862	1,115	747
Debt service:				
Principal	1,027,046	2,062,731	1,235,000	827,731
Interest and other charges	415,954	835,406	500,175	335,231
Total expenditures	1,443,927	2,900,000	1,736,290	1,163,710
Excess (deficiency) of revenues over expenditures	(1,443,927)	(2,900,000)	(96,223)	2,803,777
Net change in fund balances	(1,443,927)	(2,900,000)	(96,223)	2,803,777
Fund balance, beginning of year			231,205	231,205
Fund balance, end of year	<u>\$ (1,443,927)</u>	<u>\$ (2,900,000)</u>	<u>\$ 134,982</u>	<u>\$ 3,034,982</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING BALANCE SHEET
 ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 June 30, 2016

	Special Revenue	Capital Projects	Total Non-major Funds
ASSETS			
Cash and cash equivalents	\$ 1,842,674	\$ 9,444	\$ 1,852,118
Due from other governments	144,636	-	144,636
Total assets	<u>2,001,315</u>	<u>9,444</u>	<u>2,010,759</u>
LIABILITIES			
Accounts payable	7,426	-	7,426
Due to other funds	50,725	-	50,725
Total liabilities	<u>58,151</u>	<u>-</u>	<u>58,151</u>
DEFERRED INFLOW OF RESOURCES			
Deferred revenue - intergovernmental	74,014		74,014
Total deferred inflow of resources	<u>74,014</u>	<u>-</u>	<u>74,014</u>
Fund balances:			
Restricted	1,328,575	-	1,328,575
Assigned	594,627	9,444	604,071
Unassigned	(54,052)	-	(54,052)
Total fund balances	<u>1,869,150</u>	<u>9,444</u>	<u>1,878,594</u>
 Total liabilities, deferred inflow of resources and fund balance	 <u>\$ 2,001,315</u>	 <u>\$ 9,444</u>	 <u>\$ 2,010,759</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 Year Ended June 30, 2016

	Special Revenue	Capital Projects	Total Non-major Funds
REVENUES			
Property taxes	\$ -	\$ 2	\$ 2
Intergovernmental grants and aid:			
Federal	328,112	-	328,112
State	820,668	63,109	883,777
Other local	1,630,721	590	1,631,311
Total revenues	<u>2,779,501</u>	<u>63,701</u>	<u>2,843,202</u>
EXPENDITURES			
Current:			
Instruction	1,335,940	-	1,335,940
Support services:			
Students and staff	90,708	-	90,708
General administration	286,097	-	286,097
Operation and maintenance of plant	47,078	-	47,078
Operation of noninstructional services	<u>354,342</u>	<u>-</u>	<u>354,342</u>
Debt service:			
Capital outlay	<u>21,285</u>	<u>63,109</u>	<u>84,394</u>
Total expenditures	<u>2,135,450</u>	<u>63,109</u>	<u>2,198,559</u>
Excess (deficiency) of revenues over expenditures	<u>644,051</u>	<u>592</u>	<u>644,643</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,110	-	2,110
Transfers out	<u>(19,059)</u>	<u>-</u>	<u>(19,059)</u>
Total other financing sources and uses	<u>(16,949)</u>	<u>-</u>	<u>(16,949)</u>
Net change in fund balances	627,102	592	627,694
Fund balances, beginning of year	<u>1,242,048</u>	<u>8,852</u>	<u>1,250,900</u>
Fund balances, end of year	<u>\$ 1,869,150</u>	<u>\$ 9,444</u>	<u>\$ 1,878,594</u>

SPECIAL REVENUE FUNDS

Classroom Site - to account for the financial activity for the portion of state sales tax collections and permanent state school fund earnings as approved by the voters in 2000.

Instructional Improvement - to account for the activity of monies received from gaming revenue.

County, City and Town Grants - to account for monies received from county, city and town grants.

Professional Development and Technology Grants - to account for financial assistance received to increase student academic achievement through improving teacher quality.

Indian Education - to account for financial assistance received for Indian education at preschool, elementary, secondary and adult levels.

Vocational Education - to account for financial assistance received for preparation of individuals for employment or advancement in a career not requiring a baccalaureate or advanced degree.

Medicaid Reimbursement - to account for reimbursements related to specific health services provided to eligible students.

E-Rate - to account for financial assistance received for broadband internet and telecommunication costs.

Impact Aid - to account for financial assistance to local educational agencies that are financially burdened by federal activities.

Other Federal Projects - to account for financial assistance received for other supplemental federal projects.

State Vocational Education - to account for financial assistance received for the preparation of individuals for employment.

Early Childhood Block Grant - to account for financial assistance received for preschool education.

Academic Contests - to account for financial assistance received for participation in academic contests.

Gifted - to account for financial assistance received for programs for gifted students.

Environmental Special Plate - to account for the proceeds received from the sale of environmental special plates.

Other State Projects - to account for financial assistance received for other State Projects.

School Plant - to account for proceeds from the sale or lease of school property.

Food Service - to account for the financial activity of school activities that have as their purpose the preparation and serving of regular and incidental meals and snacks in connection with school functions.

Civic Center - to account for monies received from the rental of school facilities for civic activities.

Community School - to account for activity related to academic and skill development for all citizens.

Auxiliary Operations - to account for activity arising from bookstore, athletic and miscellaneous District related operations.

Extracurricular Activities Fees Tax Credit - to account for activity related to monies collected in support of extracurricular activities to be taken as a tax credit by the tax payer in accordance with A.R.S. §43-1089.01.

Gifts and Donations - to account for activity related to gifts, donations, bequests and private grants made to the District.

Career and Technical Education and Vocational Education Projects - to account for activity related to the production and subsequent sale of items produced in an instructional program by career and technical and vocational education pupils.

Insurance Proceeds - to account for the monies received from insurance claims.

Textbooks - to account for monies received from students to replace or repair lost or damaged textbooks.

Litigation Recovery - to account for monies received for and derived from litigation.

Indirect Costs - to account for monies received from Federal projects for administrative costs.

Teacherage - to account for the operations of District housing facilities provided for employees of the District exclusively on Indian and Federal lands.

Advertisement - to account for monies received from the sale of advertising.

Joint Technical Education - to account for monies received from Joint Technical Education Districts for vocational education programs.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 June 30, 2016

	Classroom Site	Instructional Improvement	County, City and Town Grants
ASSETS			
Cash and cash equivalents	\$ 293,989	\$ 26,079	\$ 68,932
Due from other funds	-	-	-
Due from other governments	55,232	18,373	27,796
Total assets	349,221	44,452	96,728
LIABILITIES			
Accounts payable	-	-	-
Due to other funds	-	-	-
Total liabilities	-	-	-
DEFERRED INFLOW OF RESOURCES			
Deferred revenue - intergovernmental	-	-	27,796
Total deferred inflow of resources	-	-	27,796
FUND BALANCE			
Restricted	349,221	44,452	68,932
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	349,221	44,452	68,932
Total liabilities, deferred inflow of resources and fund balance	\$ 349,221	\$ 44,452	\$ 96,728

Professional Development & Technology	Indian Education	Vocational Education	E-Rate
\$ -	\$ 55,719	\$ -	\$ 49,627
-	-	-	-
<u>32,792</u>	<u>-</u>	<u>4,709</u>	<u>-</u>
<u>32,792</u>	<u>55,719</u>	<u>4,709</u>	<u>49,627</u>
-	-	350	-
<u>32,910</u>	<u>-</u>	<u>4,109</u>	<u>-</u>
<u>32,910</u>	<u>-</u>	<u>4,459</u>	<u>-</u>
32,793	-	-	-
<u>32,793</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	55,719	-	49,627
-	-	-	-
<u>(32,911)</u>	<u>-</u>	<u>250</u>	<u>-</u>
<u>(32,911)</u>	<u>55,719</u>	<u>250</u>	<u>49,627</u>
<u>\$ 32,792</u>	<u>\$ 55,719</u>	<u>\$ 4,709</u>	<u>\$ 49,627</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS (Continued)
 June 30, 2016

	State Vocational Education	Early Childhood Block Grant	Academic Contests
ASSETS			
Cash and cash equivalents	\$ 3,676	\$ 6	\$ -
Due from other funds	-	-	-
Due from other governments	5,734	-	-
	<u>9,410</u>	<u>6</u>	<u>-</u>
LIABILITIES			
Accounts payable	3,459	-	-
Due to other funds	-	-	-
Total liabilities	<u>3,459</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES			
Deferred revenue - intergovernmental	5,734	3,597	3,041
Total deferred inflow of resources	<u>5,734</u>	<u>3,597</u>	<u>3,041</u>
FUND BALANCE			
Restricted	217	-	-
Assigned	-	-	-
Unassigned	-	(3,591)	(3,041)
Total fund balances	<u>217</u>	<u>(3,591)</u>	<u>(3,041)</u>
Total liabilities, deferred inflow of resources and fund balance	<u>\$ 9,410</u>	<u>\$ 6</u>	<u>\$ -</u>

Gifted	Environmental Special Plate	Other State Projects	Food Service	Civic Center	Community School
\$ -	\$ -	\$ -	\$ 4,114	\$ 145,704	\$ 5,224
-	-	-	-	14,005	-
-	-	-	-	-	-
-	-	-	4,114	159,709	5,224
-	-	-	408	1,253	-
-	-	13,706	-	-	-
-	-	13,706	408	1,253	-
922	131	-	-	-	-
922	131	-	-	-	-
-	-	-	-	158,456	-
-	-	-	3,706	-	5,224
(922)	(131)	(13,706)	-	-	-
(922)	(131)	(13,706)	3,706	158,456	5,224
\$ -	\$ -	\$ (13,706)	\$ 4,114	\$ 159,709	\$ 5,224

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS (Concluded)
 June 30, 2016

	Extracurricular Activities Fees Tax Credit	Gifts and Donations	Career, Technical and Vocational Education
ASSETS			
Cash and cash equivalents	\$ 586,995	\$ 39,123	\$ 2,277
Due from other funds	-	-	-
Due from other governments	-	-	-
	<u>586,995</u>	<u>39,123</u>	<u>2,277</u>
LIABILITIES			
Accounts payable	1,298	658	-
Due to other funds	-	-	-
Total liabilities	<u>1,298</u>	<u>658</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES			
Deferred revenue - intergovernmental	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted	-	38,465	2,277
Assigned	585,697	-	-
Unassigned	-	-	-
Total fund balances	<u>585,697</u>	<u>38,465</u>	<u>2,277</u>
Total liabilities, deferred inflow of resources and fund balance	<u>\$ 586,995</u>	<u>\$ 39,123</u>	<u>\$ 2,277</u>

Textbooks	Teacherage	Joint Technical Education	Totals
\$ 22,619	\$ 85	\$ 538,505	\$ 1,842,674
-	-	-	14,005
-	-	-	144,636
<u>22,619</u>	<u>85</u>	<u>538,505</u>	<u>2,001,315</u>
-	-	-	7,426
-	-	-	50,725
-	-	-	58,151
-	-	-	74,014
-	-	-	74,014
22,619	85	538,505	1,328,575
-	-	-	594,627
-	-	-	(54,052)
<u>22,619</u>	<u>85</u>	<u>538,505</u>	<u>1,869,150</u>
<u>\$ 22,619</u>	<u>\$ 85</u>	<u>\$ 538,505</u>	<u>\$ 2,001,315</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2016

	Classroom Site	Instructional Improvement	County, City and Town Grants
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	662,785	71,575	-
Other local	2,296	147	207,056
Total revenues	<u>665,081</u>	<u>71,722</u>	<u>207,056</u>
EXPENDITURES			
Current:			
Instruction	502,052	59,589	-
Support Services:			
Students and staff	32,609	2,093	-
General administration	-	-	150,000
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>534,661</u>	<u>61,682</u>	<u>150,000</u>
Excess (deficiency) of revenues over expenditures	<u>130,420</u>	<u>10,040</u>	<u>57,056</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	130,420	10,040	57,056
Fund balances, beginning of year	<u>218,801</u>	<u>34,412</u>	<u>11,876</u>
Fund balances, end of year	<u>\$ 349,221</u>	<u>\$ 44,452</u>	<u>\$ 68,932</u>

<u>Professional Development & Technology</u>	<u>Indian Education</u>	<u>Vocational Education</u>	<u>E-Rate</u>	<u>Other Federal Projects</u>
\$ -	\$ 64,249	\$ 15,625	\$ 55,809	\$ 10,947
-	-	-	-	-
-	140	-	292	-
<u>-</u>	<u>64,389</u>	<u>15,625</u>	<u>56,101</u>	<u>10,947</u>
1,497	27,967	13,203	16,190	-
-	-	-	-	-
31,414	-	2,172	-	-
-	-	-	45,308	-
-	-	-	-	-
-	-	-	-	-
<u>32,911</u>	<u>27,967</u>	<u>15,375</u>	<u>61,498</u>	<u>-</u>
<u>(32,911)</u>	<u>36,422</u>	<u>250</u>	<u>(5,397)</u>	<u>10,947</u>
-	-	-	-	-
-	-	-	(6,002)	(10,947)
-	-	-	(6,002)	(10,947)
<u>(32,911)</u>	<u>36,422</u>	<u>250</u>	<u>(11,399)</u>	<u>-</u>
-	19,297	-	61,026	-
<u>\$ (32,911)</u>	<u>\$ 55,719</u>	<u>\$ 250</u>	<u>\$ 49,627</u>	<u>\$ -</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS (Continued)
 Year Ended June 30, 2016

	State Vocational Education	Early Childhood Block Grant	Academic Contests
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	22,686	-	-
Other local	15	6	-
Total revenues	<u>22,701</u>	<u>6</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction	16,999	-	-
Support Services:			
Students and staff	1,152	-	-
General administration	10,355	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>28,506</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(5,805)</u>	<u>6</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(2,110)	-
Total other financing sources and uses	<u>-</u>	<u>(2,110)</u>	<u>-</u>
Net change in fund balances	(5,805)	(2,104)	-
Fund balances, beginning of year	<u>6,022</u>	<u>(1,487)</u>	<u>(3,041)</u>
Fund balances, end of year	<u>\$ 217</u>	<u>\$ (3,591)</u>	<u>\$ (3,041)</u>

<u>Gifted</u>	<u>Environmental Special Plate</u>	<u>Other State Projects</u>	<u>Food Service</u>	<u>Civic Center</u>	<u>Community School</u>
\$ -	\$ -	\$ -	\$ 181,482	\$ -	\$ -
-	-	58,915	-	-	-
-	-	9	188,792	56,804	114,861
<u>-</u>	<u>-</u>	<u>58,924</u>	<u>370,274</u>	<u>56,804</u>	<u>114,861</u>
-	-	70,933	-	9,397	18,101
-	-	3,807	-	-	-
-	-	-	-	242	-
-	-	-	-	1,770	-
-	-	-	317,491	-	28,642
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>74,740</u>	<u>317,491</u>	<u>11,409</u>	<u>46,743</u>
-	-	(15,816)	52,783	45,395	68,118
-	-	2,110	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>2,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	(13,706)	52,783	45,395	68,118
<u>(922)</u>	<u>(131)</u>	<u>-</u>	<u>(49,077)</u>	<u>113,061</u>	<u>(62,894)</u>
<u>\$ (922)</u>	<u>\$ (131)</u>	<u>\$ (13,706)</u>	<u>\$ 3,706</u>	<u>\$ 158,456</u>	<u>\$ 5,224</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS (Concluded)
 Year Ended June 30, 2016

	Extracurricular Activities Fees Tax Credit	Gifts and Donations	Career, Technical and Vocational Education
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other local	740,646	139,866	10
Total revenues	<u>740,646</u>	<u>139,866</u>	<u>10</u>
EXPENDITURES			
Current:			
Instruction	381,864	37,781	-
Support Services:			
Students and staff	-	51,047	-
General administration	-	15,675	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	8,209	-	-
Capital Outlay	-	21,285	-
Total expenditures	<u>390,073</u>	<u>125,788</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>350,573</u>	<u>14,078</u>	<u>10</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	350,573	14,078	10
Fund balances, beginning of year	<u>235,124</u>	<u>24,387</u>	<u>2,267</u>
Fund balances, end of year	<u>\$ 585,697</u>	<u>\$ 38,465</u>	<u>\$ 2,277</u>

<u>Textbooks</u>	<u>Teacherage</u>	<u>Joint Technical Education</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 328,112
-	-	4,707	820,668
141	-	179,640	1,630,721
<u>141</u>	<u>-</u>	<u>184,347</u>	<u>2,779,501</u>
313	-	180,054	1,335,940
-	-	-	90,708
-	-	76,239	286,097
-	-	-	47,078
-	-	-	354,342
-	-	-	21,285
<u>313</u>	<u>-</u>	<u>256,293</u>	<u>2,135,450</u>
<u>(172)</u>	<u>-</u>	<u>(71,946)</u>	<u>644,051</u>
-	-	-	2,110
-	-	-	(19,059)
-	-	-	(16,949)
<u>(172)</u>	<u>-</u>	<u>(71,946)</u>	<u>627,102</u>
<u>22,791</u>	<u>85</u>	<u>610,451</u>	<u>1,242,048</u>
<u>\$ 22,619</u>	<u>\$ 85</u>	<u>\$ 538,505</u>	<u>\$ 1,869,150</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL
 Year Ended June 30, 2016

	Classroom Site		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	662,785	662,785
Other Local	-	2,296	2,296
Total revenues	<u>-</u>	<u>665,081</u>	<u>665,081</u>
EXPENDITURES			
Current:			
Instruction	699,366	502,052	197,314
Students and staff	45,425	32,609	12,816
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>744,791</u>	<u>534,661</u>	<u>210,130</u>
Excess (deficiency) of revenues over expenditures	<u>(744,791)</u>	<u>130,420</u>	<u>875,211</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(744,791)	130,420	875,211
Fund balances, beginning of year	<u>-</u>	<u>218,801</u>	<u>218,801</u>
Fund balances, end of year	<u>\$ (744,791)</u>	<u>\$ 349,221</u>	<u>\$ 1,094,012</u>

Instructional Improvement			County, City and Town Grants		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	71,575	71,575	-	-	-
-	147	147	-	207,056	207,056
-	71,722	71,722	-	207,056	207,056
115,928	59,589	56,339	-	-	-
4,072	2,093	1,979	-	-	-
-	-	-	220,000	150,000	70,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
120,000	61,682	58,318	220,000	150,000	70,000
(120,000)	10,040	130,040	(220,000)	57,056	277,056
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(120,000)	10,040	130,040	(220,000)	57,056	277,056
-	34,412	34,412	-	11,876	11,876
\$ (120,000)	\$ 44,452	\$ 164,452	\$ (220,000)	\$ 68,932	\$ 288,932

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Professional Development & Technology		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other Local	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction	2,131	1,497	634
Students and staff	-	-	-
General administration	44,708	31,414	13,294
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>46,839</u>	<u>32,911</u>	<u>13,928</u>
Excess (deficiency) of revenues over expenditures	<u>(46,839)</u>	<u>(32,911)</u>	<u>13,928</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(46,839)	(32,911)	13,928
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ (46,839)</u>	<u>\$ (32,911)</u>	<u>\$ 13,928</u>

Indian Education

Budget	Actual	Variance
\$ -	\$ 64,249	\$ 64,249
-	-	-
-	140	140
-	64,389	64,389
85,000	27,967	57,033
-	-	-
-	-	-
-	-	-
-	-	-
85,000	27,967	57,033
(85,000)	36,422	121,422
-	-	-
-	-	-
-	-	-
(85,000)	36,422	121,422
-	19,297	19,297
\$ (85,000)	55,719	\$ 140,719

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Vocational Education		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ 15,625	\$ 15,625
State	-	-	-
Other Local	-	-	-
Total revenues	<u>-</u>	<u>15,625</u>	<u>15,625</u>
EXPENDITURES			
Current:			
Instruction	18,146	13,203	4,943
Students and staff	-	-	-
General administration	2,985	2,172	813
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>21,131</u>	<u>15,375</u>	<u>5,756</u>
Excess (deficiency) of revenues over expenditures	<u>(21,131)</u>	<u>250</u>	<u>21,381</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(21,131)	250	21,381
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ (21,131)</u>	<u>\$ 250</u>	<u>\$ 21,381</u>

E-Rate			Other Federal Projects		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ 55,809	\$ 55,809	\$ -	\$ 10,947	\$ 10,947
-	-	-	-	-	-
-	292	292	-	-	-
-	56,101	56,101	-	10,947	10,947
30,538	16,190	14,348	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
85,462	45,308	40,154	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
116,000	61,498	54,502	-	-	-
(116,000)	(5,397)	110,603	-	10,947	10,947
-	-	-	-	-	-
-	(6,002)	6,002	-	(10,947)	10,947
-	(6,002)	6,002	-	(10,947)	10,947
(116,000)	(11,399)	104,601	-	-	-
-	61,026	61,026	-	-	-
<u>\$ (116,000)</u>	<u>\$ 49,627</u>	<u>\$ 165,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	State Vocational Education		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	22,686	22,686
Other Local	-	15	15
Total revenues	<u>-</u>	<u>22,701</u>	<u>22,701</u>
EXPENDITURES			
Current:			
Instruction	17,119	16,999	120
Students and staff	1,160	1,152	8
General administration	10,428	10,355	73
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>28,708</u>	<u>28,506</u>	<u>202</u>
Excess (deficiency) of revenues over expenditures	<u>(28,708)</u>	<u>(5,805)</u>	<u>22,903</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(28,708)	(5,805)	22,903
Fund balances, beginning of year	<u>-</u>	<u>6,022</u>	<u>6,022</u>
Fund balances, end of year	<u>\$ (28,708)</u>	<u>\$ 217</u>	<u>\$ 28,925</u>

Early Childhood Block Grant			Academic Contests		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	6	6	-	-	-
-	6	6	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	6	6	-	-	-
-	-	-	-	-	-
-	(2,110)	2,110	-	-	-
-	(2,110)	2,110	-	-	-
-	(2,104)	(2,104)	-	-	-
-	(1,487)	(1,487)	-	(3,041)	(3,041)
\$ -	\$ (3,591)	\$ (3,591)	\$ -	\$ (3,041)	\$ (3,041)

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Gifted		Variance
	Budget	Actual	
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other Local	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Students and staff	-	-	-
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>(922)</u>	<u>(922)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ (922)</u>	<u>\$ (922)</u>

Environmental Special Plate			Other State Projects		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	58,915	58,915
-	-	-	-	9	9
-	-	-	-	58,924	58,924
-	-	-	-	70,933	(70,933)
-	-	-	-	3,807	(3,807)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	74,740	(74,740)
-	-	-	-	(15,816)	(15,816)
-	-	-	-	2,110	2,110
-	-	-	-	-	-
-	-	-	-	2,110	(2,110)
-	-	-	-	(13,706)	(13,706)
-	(131)	(131)	-	-	-
\$ -	\$ (131)	\$ (131)	\$ -	\$ (13,706)	\$ (13,706)

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Food Service		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	-	181,482	181,482
State	-	-	-
Other Local	-	188,792	188,792
Total revenues	<u>-</u>	<u>370,274</u>	<u>370,274</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Students and staff	-	-	-
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	450,000	317,491	132,509
Capital Outlay	-	-	-
Total expenditures	<u>450,000</u>	<u>317,491</u>	<u>132,509</u>
Excess (deficiency) of revenues over expenditures	<u>(450,000)</u>	<u>52,783</u>	<u>502,783</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(450,000)	52,783	502,783
Fund balances, beginning of year	-	(49,077)	(49,077)
Fund balances, end of year	<u>\$ (450,000)</u>	<u>\$ 3,706</u>	<u>\$ 453,706</u>

Civic Center			Community School		
Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-
-	-	-	-	-	-
-	56,804	56,804	-	114,861	114,861
-	56,804	56,804	-	114,861	114,861
131,784	9,397	122,387	27,107	18,101	9,006
-	-	-	-	-	-
3,394	242	3,152	-	-	-
24,823	1,770	23,053	-	-	-
-	-	-	42,893	28,642	14,251
-	-	-	-	-	-
160,000	11,409	148,591	70,000	46,743	23,257
(160,000)	45,395	205,395	(70,000)	68,118	138,118
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(160,000)	45,395	205,395	(70,000)	68,118	138,118
-	113,061	113,061	-	(62,894)	(62,894)
<u>\$ (160,000)</u>	<u>\$ 158,456</u>	<u>\$ 318,456</u>	<u>\$ (70,000)</u>	<u>\$ 5,224</u>	<u>\$ 75,224</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Extracurricular Activities Fees Tax Credit		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other Local	-	740,646	740,646
Total revenues	<u>-</u>	<u>740,646</u>	<u>740,646</u>
EXPENDITURES			
Current:			
Instruction	587,373	381,864	205,509
Students and staff	-	-	-
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	12,627	8,209	4,418
Capital Outlay	-	-	-
Total expenditures	<u>600,000</u>	<u>390,073</u>	<u>209,927</u>
Excess (deficiency) of revenues over expenditures	<u>(600,000)</u>	<u>350,573</u>	<u>950,573</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(600,000)	350,573	950,573
Fund balances, beginning of year	<u>-</u>	<u>235,124</u>	<u>235,124</u>
Fund balances, end of year	<u>\$ (600,000)</u>	<u>\$ 585,697</u>	<u>\$ 1,185,697</u>

Gifts and Donations			Career, Technical and Vocational Education		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	139,866	139,866	-	10	10
-	139,866	139,866	-	10	10
88,605	37,781	50,824	-	-	-
119,716	51,047	68,669	-	-	-
36,761	15,675	21,086	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	21,285	(21,285)	-	-	-
245,082	125,788	119,294	-	-	-
(245,082)	14,078	259,160	-	10	10
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(245,082)	14,078	259,160	-	10	10
-	24,387	24,387	-	2,267	2,267
\$ (245,082)	\$ 38,465	\$ 283,547	\$ -	\$ 2,277	\$ 2,277

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Textbooks		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other Local	-	141	141
Total revenues	<u>-</u>	<u>141</u>	<u>141</u>
EXPENDITURES			
Current:			
Instruction	-	313	(313)
Students and staff	-	-	-
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>313</u>	<u>(313)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(172)</u>	<u>(172)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(172)	(172)
Fund balances, beginning of year	<u>-</u>	<u>22,791</u>	<u>22,791</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 22,619</u>	<u>\$ 22,619</u>

Teacherage			Joint Technical Education		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	4,707	4,707
-	-	-	-	179,640	179,640
-	-	-	-	184,347	184,347
-	-	-	526,899	180,054	346,845
-	-	-	-	-	-
-	-	-	223,101	76,239	146,862
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	750,000	256,293	493,707
-	-	-	(750,000)	(71,946)	678,054
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(750,000)	(71,946)	678,054
-	85	85	-	610,451	610,451
\$ -	\$ 85	\$ 85	\$ (750,000)	\$ 538,505	\$ 1,288,505

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Student Success		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other Local	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Students and staff	-	-	-
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	6,002	6,002
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>6,002</u>	<u>(6,002)</u>
Net change in fund balances	-	6,002	6,002
Fund balances, beginning of year	<u>-</u>	<u>(6,002)</u>	<u>(6,002)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Medicaid			Impact Aid		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ 87,278	\$ 87,278	\$ -	\$ 243,599	\$ 243,599
-	-	-	-	-	-
-	-	-	-	116,387	116,387
-	87,278	87,278	-	359,986	359,986
3,823	-	3,823	-	-	-
3,823	691	3,132	-	-	-
-	-	-	535,480	315,937	219,543
-	-	-	508	300	208
-	-	-	-	-	-
-	-	-	-	-	-
7,646	691	6,955	535,988	316,237	219,751
(7,646)	86,587	94,233	(535,988)	43,749	579,737
-	-	-	-	-	-
-	-	-	-	(2,498)	2,498
-	-	-	-	(2,498)	2,498
(7,646)	86,587	94,233	(535,988)	41,251	577,239
-	(71,307)	(71,307)	-	178,548	178,548
\$ (7,646)	\$ 15,280	\$ 22,926	\$ (535,988)	\$ 219,799	\$ 755,787

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	School Plant		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other Local	-	208	208
Total revenues	<u>-</u>	<u>208</u>	<u>208</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Students and staff	-	-	-
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>208</u>	<u>208</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	208	208
Fund balances, beginning of year	<u>-</u>	<u>47,830</u>	<u>47,830</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 48,038</u>	<u>\$ 48,038</u>

Auxiliary Operations			Fingerprint		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	215,636	215,636	-	-	-
-	215,636	215,636	-	-	-
-	214,330	(214,330)	-	-	-
-	-	-	-	-	-
-	-	-	-	22	(22)
-	-	-	-	-	-
-	-	-	-	-	-
-	214,330	(214,330)	-	22	(22)
-	1,306	1,306	-	(22)	(22)
-	2,498	2,498	-	-	-
-	-	-	-	-	-
-	2,498	(2,498)	-	-	-
-	3,804	3,804	-	(22)	(22)
-	151,197	151,197	-	22	22
\$ -	\$ 155,001	\$ 155,001	\$ -	\$ -	\$ -

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Insurance Proceeds		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other Local	-	156	156
Total revenues	<u>-</u>	<u>156</u>	<u>156</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Students and staff	-	-	-
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>156</u>	<u>156</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	156	156
Fund balances, beginning of year	<u>-</u>	<u>35,946</u>	<u>35,946</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 36,102</u>	<u>\$ 36,102</u>

Litigation Recovery			Indirect Costs		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	443	443	-	-	-
-	443	443	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	35,000	7,964	27,036
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	35,000	7,964	27,036
-	443	443	(35,000)	(7,964)	27,036
-	-	-	-	15,889	15,889
-	-	-	-	-	-
-	-	-	-	15,889	(15,889)
-	443	443	(35,000)	7,925	42,925
-	23,531	23,531	-	-	-
\$ -	\$ 23,974	\$ 23,974	\$ (35,000)	\$ 7,925	\$ 42,925

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Unemployment Insurance		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other Local	-	20,467	20,467
Total revenues	<u>-</u>	<u>20,467</u>	<u>20,467</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Students and staff	22,000	18,728	3,272
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Operation of noninstructional services	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>22,000</u>	<u>18,728</u>	<u>3,272</u>
Excess (deficiency) of revenues over expenditures	<u>(22,000)</u>	<u>1,739</u>	<u>23,739</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(22,000)	1,739	23,739
Fund balances, beginning of year	<u>-</u>	<u>678</u>	<u>678</u>
Fund balances, end of year	<u>\$ (22,000)</u>	<u>\$ 2,417</u>	<u>\$ 24,417</u>

Insurance Refund			Advertisement		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	33,250	33,250	-	22	22
-	33,250	33,250	-	22	22
-	-	-	-	-	-
-	-	-	-	-	-
-	33,231	(33,231)	5,300	4,995	305
-	-	-	-	-	-
-	-	-	-	-	-
-	33,231	(33,231)	5,300	4,995	305
-	19	19	(5,300)	(4,973)	327
-	-	-	-	-	-
-	-	-	-	-	-
-	19	19	(5,300)	(4,973)	327
-	-	-	-	5,214	5,214
\$ -	\$ 19	\$ 19	\$ (5,300)	\$ 241	\$ 5,541

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR SPECIAL REVENUE FUNDS BUDGET TO ACTUAL (Concluded)
 Year Ended June 30, 2016

	Total		
	Budget	Actual	Variance
REVENUES			
Intergovernmental grants and aid:			
Federal	\$ -	\$ 658,989	\$ 658,989
State	-	820,668	820,668
Other Local	-	2,017,290	2,017,290
Total revenues	<u>-</u>	<u>3,496,947</u>	<u>3,496,947</u>
EXPENDITURES			
Current:			
Instruction	2,333,819	1,550,270	783,549
Students and staff	196,196	110,127	86,069
General administration	1,117,158	648,246	468,912
Operation and maintenance of plant	110,793	47,378	63,415
Operation of noninstructional services	505,520	354,342	151,178
Capital Outlay	-	21,285	(21,285)
Total expenditures	<u>4,263,485</u>	<u>2,731,648</u>	<u>1,531,837</u>
Excess (deficiency) of revenues over expenditures	<u>(4,263,485)</u>	<u>765,299</u>	<u>5,028,784</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	26,499	26,499
Transfers out	-	(21,557)	(21,557)
Total other financing sources and uses	<u>-</u>	<u>4,942</u>	<u>4,942</u>
Net change in fund balances	(4,263,485)	770,241	5,033,726
Fund balances, beginning of year	<u>-</u>	<u>1,607,705</u>	<u>1,607,705</u>
Fund balances, end of year	<u>\$ (4,263,485)</u>	<u>\$ 2,377,946</u>	<u>\$ 6,641,431</u>

CAPITAL PROJECTS FUNDS

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

School Plant – Special Construction - to account for proceeds from the sale of school property to be used for the purchase of school sites for construction, improvement, or furnishing or school buildings as approved by school district electors.

Gifts and Donations - Capital - to account for gifts and donations to be expended for capital acquisitions.

Emergency Deficiencies Correction - to account for monies received from the School Facilities Board to correct emergency deficiencies.

New School Facilities - to account for monies received from the School Facilities Board to be used for constructing new school facilities and purchasing land for new school sites.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 June 30, 2016

	<u>Adjacent Ways</u>	<u>School Plant - Special Construction</u>	<u>Gifts & Donations - Construction</u>
ASSETS			
Cash and cash equivalents	\$ 2,806	\$ 2,970	\$ 701
Total assets	<u>2,806</u>	<u>2,970</u>	<u>701</u>
FUND BALANCE			
Assigned	<u>2,806</u>	<u>2,970</u>	<u>701</u>
Total fund balances	<u>2,806</u>	<u>2,970</u>	<u>701</u>
Total liabilities, deferred inflow of resources and fund balance	<u>\$ 2,806</u>	<u>\$ 2,970</u>	<u>\$ 701</u>

<u>Deficiency Correction</u>	<u>New School Facilities</u>	<u>Totals</u>
\$ 14	\$ 2,953	\$ 9,444
<u>14</u>	<u>2,953</u>	<u>9,444</u>
		-
<u>14</u>	<u>2,953</u>	<u>9,444</u>
<u>14</u>	<u>2,953</u>	<u>9,444</u>
<u>\$ 14</u>	<u>\$ 2,953</u>	<u>\$ 9,444</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 NON-MAJOR CAPITAL PROJECTS FUNDS
 Year Ended June 30, 2016

	<u>Adjacent Ways</u>	<u>School Plant - Special Construction</u>	<u>Gifts & Donations - Construction</u>
REVENUES			
Intergovernmental grants and aid:			
State	-	-	-
Other local	\$ 14	\$ 13	\$ 3
Total revenues	<u>16</u>	<u>13</u>	<u>3</u>
EXPENDITURES			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>16</u>	<u>13</u>	<u>3</u>
Net change in fund balances	16	13	3
Fund balances, beginning of year	<u>2,790</u>	<u>2,957</u>	<u>698</u>
Fund balances, end of year	<u>\$ 2,806</u>	<u>\$ 2,970</u>	<u>\$ 701</u>

<u>Deficiency Correction</u>	<u>New School Facilities</u>	<u>Totals</u>
-	63,109	63,109
\$ 533	\$ 27	\$ 590
<u>533</u>	<u>63,136</u>	<u>63,701</u>
-	63,109	63,109
-	63,109	63,109
<u>533</u>	<u>27</u>	<u>592</u>
533	27	592
<u>(519)</u>	<u>2,926</u>	<u>8,852</u>
<u>\$ 14</u>	<u>\$ 2,953</u>	<u>\$ 9,444</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 ALL CAPITAL PROJECTS FUNDS BUDGET TO ACTUAL
 Year Ended June 30, 2016

	Unrestricted Capital Outlay		
	Budget	Actual	Variance
REVENUES			
Property taxes	\$ -	\$ 735,533	\$ 735,533
Intergovernmental grants and aid:			
State	-	33,325	33,325
Maricopa County	-	7,163	7,163
Total revenues	<u>-</u>	<u>776,021</u>	<u>776,021</u>
EXPENDITURES			
Current:			
Instruction	448,239	208,999	239,240
Support services:			
General administration	115,555	53,831	61,724
Operation and maintenance of plant	54,093	25,199	28,894
Capital outlay	490,837	228,466	262,371
Total expenditures	<u>1,108,724</u>	<u>516,495</u>	<u>592,229</u>
Excess (deficiency) of revenues over expenditures	<u>(1,108,724)</u>	<u>259,526</u>	<u>1,368,250</u>
Net change in fund balances	(1,108,724)	259,526	1,368,250
Fund balances, beginning of year	<u>-</u>	<u>1,213,625</u>	<u>1,213,625</u>
Fund balances, end of year	<u>\$ (1,108,724)</u>	<u>\$ 1,473,151</u>	<u>\$ 2,581,875</u>

Adjacent Ways		
Budget	Actual	Variance
\$ -	\$ 2	\$ 2
-	-	-
-	14	14
-	16	16
-	-	-
-	-	-
-	-	-
-	-	-
-	16	16
-	16	16
-	2,790	2,790
<u>\$ -</u>	<u>\$ 2,806</u>	<u>\$ 2,806</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 ALL CAPITAL PROJECTS FUNDS BUDGET TO ACTUAL (Continued)
 Year Ended June 30, 2016

	Bond Building		
	Budget	Actual	Variance
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental grants and aid:			
State	-	-	-
Maricopa County	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Support services:			
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Capital outlay	<u>3,970,190</u>	<u>1,592,570</u>	<u>2,377,620</u>
Total expenditures	<u>3,970,190</u>	<u>1,592,570</u>	<u>2,377,620</u>
Excess (deficiency) of revenues over expenditures	<u>(3,970,190)</u>	<u>(1,592,570)</u>	<u>2,377,620</u>
Net change in fund balances	(3,970,190)	(1,592,570)	2,377,620
Fund balances, beginning of year	<u> </u>	<u>3,970,189</u>	<u>3,970,189</u>
Fund balances, end of year	<u><u>\$ (3,970,190)</u></u>	<u><u>\$ 2,377,619</u></u>	<u><u>\$ 6,347,809</u></u>

School Plant - Special Construction			Gifts & Donations - Construction		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>13</u>	<u>13</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
<u>13</u>	<u>13</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>13</u>	<u>13</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
13	13	-	3	3	-
-	2,957	2,957	-	698	698
<u>\$ 13</u>	<u>\$ 2,970</u>	<u>\$ 2,957</u>	<u>\$ 3</u>	<u>\$ 701</u>	<u>\$ 698</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 ALL CAPITAL PROJECTS FUNDS BUDGET TO ACTUAL (Concluded)
 Year Ended June 30, 2016

	Deficiency Correction		
	Budget	Actual	Variance
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental grants and aid:			
State	-	-	-
Maricopa County	533	533	-
Total revenues	<u>533</u>	<u>533</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Support services:			
General administration	-	-	-
Operation and maintenance of plant	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>533</u>	<u>533</u>	<u>-</u>
Net change in fund balances	533	533	-
Fund balances, beginning of year	<u>-</u>	<u>(519)</u>	<u>(519)</u>
Fund balances, end of year	<u>\$ 533</u>	<u>\$ 14</u>	<u>\$ (519)</u>

New School Facilities			Total		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ 735,535	\$ 735,535
63,109	63,109	-	63,109	96,434	33,325
27	27	-	576	7,753	7,177
<u>63,136</u>	<u>63,136</u>	<u>-</u>	<u>63,685</u>	<u>839,722</u>	<u>776,037</u>
-	-	-	-	-	-
-	-	-	448,239	208,999	239,240
-	-	-	-	-	-
-	-	-	115,555	53,831	61,724
-	-	-	54,093	25,199	28,894
-	63,109	(63,109)	4,461,027	1,884,145	2,576,882
-	63,109	(63,109)	5,078,914	2,172,174	2,906,740
<u>63,136</u>	<u>27</u>	<u>(63,109)</u>	<u>(5,015,229)</u>	<u>(1,332,452)</u>	<u>3,682,777</u>
63,136	27	(63,109)	(5,015,229)	(1,332,452)	3,682,777
-	2,926	2,926	-	5,192,666	5,192,666
<u>\$ 63,136</u>	<u>\$ 2,953</u>	<u>\$ (60,183)</u>	<u>\$ (5,015,229)</u>	<u>\$ 3,860,214</u>	<u>\$ 8,875,443</u>



Agency Funds

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

Employee Withholding – to account for voluntary deductions temporarily held by the District as an agent.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2016

	<u>Student Activities</u>
ASSETS	
Cash and investments	\$ 8,912
Total assets	<u>\$ 8,912</u>
LIABILITIES	
Deposit held for others	\$ -
Due to student groups	<u>8,912</u>
Total liabilities	<u>\$ 8,912</u>

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2016

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
STUDENT ACTIVITIES				
Assets				
Cash and investments	\$ 11,945	\$ 215,496	\$ 218,529	\$ 8,912
Total assets	<u>\$ 11,945</u>	<u>\$ 215,496</u>	<u>\$ 218,529</u>	<u>\$ 8,912</u>
Liabilities				
Due to student groups	\$ 11,945	\$ 215,496	\$ 218,529	\$ 8,912
Total liabilities	<u>\$ 11,945</u>	<u>\$ 215,496</u>	<u>\$ 218,529</u>	<u>\$ 8,912</u>



STATISTICAL SECTION



STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Schedule 1
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	June 30			
	2016	2015	2014	2013
Governmental activities				
Net investment in Capital Assets	\$ 30,590,493	\$ 29,937,583	\$ 34,429,657	\$ 36,108,238
Restricted	5,340,577	5,668,052	3,022,585	2,230,753
Unrestricted	<u>(10,826,232)</u>	<u>(11,112,615)</u>	<u>2,310,896</u>	<u>2,710,062</u>
Total governmental activities net assets	<u>\$ 25,104,838</u>	<u>\$ 24,493,020</u>	<u>\$ 39,763,138</u>	<u>\$ 41,049,053</u>

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

June 30

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 34,530,381	\$ 32,683,852	\$ 30,575,598	\$ 29,015,838	\$ 25,844,148	\$ 22,079,462
2,442,533	3,372,487	1,786,029	1,699,302	1,899,370	986,526
5,356,294	6,601,076	7,757,175	6,372,848	6,414,615	6,811,248
<u>\$ 42,329,208</u>	<u>\$ 42,657,415</u>	<u>\$ 40,118,802</u>	<u>\$ 37,087,988</u>	<u>\$ 34,158,133</u>	<u>\$ 29,877,236</u>

Schedule 2
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Expenses, Program Revenues, and Net (Expense) Revenue
Last Ten Fiscal Years
(accrual basis of accounting)

	June 30			
	2016	2015	2014	2013
Governmental Activities:				
Expenses				
Instruction	\$ 7,957,479	\$ 9,537,930	\$ 10,149,629	\$ 9,350,093
Support services - students and staff	1,295,990	1,365,657	1,626,784	1,490,928
Support services - administration	2,383,025	2,008,673	1,835,211	2,036,906
Operation and maintenance of plant services	2,354,074	1,373,345	2,057,009	1,986,453
Student transportation services	893,237	1,202,065	1,256,992	1,226,353
Operation of non-instructional services	382,185	476,025	562,063	572,707
Interest on long-term debt	474,642	521,993	326,472	372,191
Total expenses	<u>15,740,632</u>	<u>16,485,688</u>	<u>17,814,160</u>	<u>17,035,631</u>
Program Revenues				
Charges for services:				
Instruction	27,766	68,679	672,591	693,587
Operation of non-instructional services	86,065	90,626	234,824	281,894
Other activities	371,222	362,511	54,580	57,246
Operating grants and contributions	2,589,815	2,156,906	1,343,039	1,679,864
Capital grants and contributions	118,918	41,809	78,105	11,971
Total program revenues	<u>3,193,786</u>	<u>2,720,531</u>	<u>2,383,139</u>	<u>2,724,562</u>
Net (Expense)/Revenue	<u>\$ (12,546,846)</u>	<u>\$ (13,765,157)</u>	<u>\$ (15,431,021)</u>	<u>\$ (14,311,069)</u>

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

June 30

2012	2011	2010	2009	2008	2007
\$ 9,774,011	\$ 9,727,853	\$ 10,027,280	\$ 10,822,596	\$ 11,428,191	\$ 10,684,228
1,664,082	1,712,491	1,952,176	2,177,799	2,008,298	1,970,611
2,336,976	2,315,699	2,992,595	2,807,948	2,226,282	2,142,447
2,024,988	1,970,975	2,262,389	2,136,802	2,226,653	2,202,111
1,074,499	1,381,756	1,175,198	989,212	967,365	1,140,260
936,036	1,017,268	1,048,688	1,187,267	987,225	857,570
497,207	655,206	859,962	979,629	786,434	1,707,302
<u>18,307,799</u>	<u>18,781,248</u>	<u>20,318,288</u>	<u>21,101,253</u>	<u>20,630,448</u>	<u>20,704,529</u>
515,035	511,191	731,825	452,512	600,766	686,835
620,541	623,289	573,068	629,281	654,661	937,501
90,894	83,199	99,143	85,900	50,125	115,084
1,997,032	1,698,520	1,506,220	1,441,960	1,459,712	761,160
60,685	173,726	75,830	115,330	28,908	31,321
<u>3,284,187</u>	<u>3,089,925</u>	<u>2,986,086</u>	<u>2,724,983</u>	<u>2,794,172</u>	<u>2,531,901</u>
<u>\$ (15,023,612)</u>	<u>\$ (15,691,323)</u>	<u>\$ (17,332,202)</u>	<u>\$ (18,376,270)</u>	<u>\$ (17,836,276)</u>	<u>\$ (18,172,628)</u>

Schedule 3
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
General Revenues and Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	June 30			
	2016	2015	2014	2013
Net (Expense)/Revenue	\$ (12,546,846)	\$ (13,765,157)	\$ (15,431,021)	\$ (14,311,069)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes	7,259,894	6,422,709	8,815,782	7,980,894
Property taxes, levied for debt service	1,593,661	1,723,838	1,347,162	1,274,523
Property taxes, levied for capital outlay	723,369	926,113	763,891	743,029
Investment income	61,345	15,190	14,741	23,413
Unrestricted county aid		-	-	-
Unrestricted state aid	2,878,094	2,982,585	3,081,828	2,780,906
Unrestricted federal aid	276,631	377,681	485,263	228,149
Other	365,688	3,310	-	-
Total general revenues	<u>13,158,682</u>	<u>12,451,426</u>	<u>14,508,667</u>	<u>13,030,914</u>
Changes in Net Position	<u>\$ 611,836</u>	<u>\$ (1,313,731)</u>	<u>\$ (922,354)</u>	<u>\$ (1,280,155)</u>

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

Note: The Arizona State Legislature suspended county equalization payments to school districts for fiscal years 2006-07 through 2008-09.

June 30					
2012	2011	2010	2009	2008	2007
\$ (15,023,612)	\$ (15,691,323)	\$ (17,332,202)	\$ (18,376,270)	\$ (17,836,276)	\$ (18,172,628)
7,713,596	9,271,957	10,821,977	10,747,435	9,819,683	9,105,383
3,151,545	4,435,123	4,536,270	4,427,532	6,113,985	5,019,201
717,527	764,491	1,110,921	1,054,771	1,173,566	1,635,053
28,881	72,248	99,969	287,635	364,167	304,250
-	-	-	-	-	148
3,049,134	3,490,649	3,299,960	4,661,746	4,541,320	3,919,953
34,722	195,468	493,919	127,006	104,452	81,523
-	-	-	-	-	-
<u>14,695,405</u>	<u>18,229,936</u>	<u>20,363,016</u>	<u>21,306,125</u>	<u>22,117,173</u>	<u>20,065,511</u>
<u>\$ (328,207)</u>	<u>\$ 2,538,613</u>	<u>\$ 3,030,814</u>	<u>\$ 2,929,855</u>	<u>\$ 4,280,897</u>	<u>\$ 1,892,883</u>

Schedule 4
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30			
	2016	2015	2014	2013
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	58,717	48,027
Assigned	-	-	-	-
Unassigned	551,826	561,691	361,134	105,713
Total general fund	<u>\$ 551,826</u>	<u>\$ 561,691</u>	<u>\$ 419,851</u>	<u>\$ 153,740</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Nonspendable	-	-	-	-
Restricted	5,314,327	6,581,865	6,445,093	2,256,869
Committed	-	-	-	-
Assigned	604,071	312,549	-	-
Unassigned	(461,031)	(800,109)	(855,551)	(36,113)
Total all other governmental funds	<u>\$ 5,457,367</u>	<u>\$ 6,094,305</u>	<u>\$ 5,589,542</u>	<u>\$ 2,220,756</u>

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

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

June 30					
2012	2011	2010	2009	2008	2007
\$ -	\$ -	\$ 311,340	\$ 104,105	\$ 472,093	\$ 1,156,525
-	-	-	-	-	-
-	-	-	-	-	-
45,832	41,969	-	-	-	-
-	43,865	-	-	-	-
861,470	2,075,667	-	-	-	-
<u>\$ 907,302</u>	<u>\$ 2,161,501</u>	<u>\$ 311,340</u>	<u>\$ 104,105</u>	<u>\$ 472,093</u>	<u>\$ 1,156,525</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,978,393	1,710,639	2,347,189	2,050,550
-	-	3,805,078	5,432,362	6,931,166	949,310
-	-	334,283	516,640	674,958	(916,249)
-	-	-	-	-	-
2,848,895	3,749,322	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(110,847)	(110,162)	-	-	-	-
<u>\$ 2,738,048</u>	<u>\$ 3,639,160</u>	<u>\$ 6,117,754</u>	<u>\$ 7,659,641</u>	<u>\$ 9,953,313</u>	<u>\$ 2,083,611</u>

Schedule 5
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Governmental Funds Revenues
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30			
	2015	2014	2013	2012
Federal sources:				
Federal grants	\$ 523,227	\$ 812,116	\$ 439,516	\$ 709,698
State Fiscal Stabilization (ARRA)	-	-	-	-
Impact Aid	243,599	337,697	462,188	211,309
Education Jobs	-	-	-	-
National School Lunch Program	181,482	165,411	194,772	195,807
Total federal sources	<u>948,308</u>	<u>1,315,224</u>	<u>1,096,476</u>	<u>1,116,814</u>
State sources:				
State equalization assistance	2,044,693	2,230,219	2,302,120	2,089,770
State grants	301,402	239,528	129,302	112,669
School Facilities Board	-	-	-	-
Other revenues	1,006,928	655,948	779,708	691,136
Total state sources	<u>3,353,023</u>	<u>3,125,695</u>	<u>3,211,130</u>	<u>2,893,575</u>
Local sources:				
Property taxes	9,590,172	10,418,553	10,772,630	9,906,652
County aid	-	-	-	-
Food service sales	188,792	170,835	235,724	261,589
Investment income	36,620	14,416	12,739	23,267
Other revenues	1,973,214	1,609,943	1,267,543	1,461,785
Total local sources	<u>11,788,798</u>	<u>12,213,747</u>	<u>12,288,636</u>	<u>11,653,293</u>
Total revenues	<u>\$ 16,090,129</u>	<u>\$ 16,654,666</u>	<u>\$ 16,596,242</u>	<u>\$ 15,663,682</u>

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

Note: The Arizona State Legislature suspended county equalization payments to school districts for fiscal years 2006-07 through 2008-09.

June 30

2011	2010	2009	2008	2007	2006
\$ 1,299,890	\$ 940,877	\$ 799,245	\$ 716,017	\$ 593,269	\$ 636,641
-	33,996	398,214	-	-	-
17,239	161,471	95,705	127,006	104,452	81,523
-	-	-	-	-	-
108,695	222,630	198,318	144,205	123,649	127,394
<u>1,425,824</u>	<u>1,358,974</u>	<u>1,491,482</u>	<u>987,228</u>	<u>821,370</u>	<u>845,558</u>
2,421,556	3,011,658	2,849,175	2,814,538	3,178,771	2,672,582
135,115	113,986	44,196	67,667	53,479	28,446
-	-	-	749,006	81,563	158,174
627,578	590,073	645,890	792,018	1,280,986	1,089,197
<u>3,184,249</u>	<u>3,715,717</u>	<u>3,539,261</u>	<u>4,423,229</u>	<u>4,594,799</u>	<u>3,948,399</u>
11,443,796	14,731,192	15,650,585	15,410,766	16,955,557	16,029,137
-	-	-	-	-	148
386,309	405,809	433,910	456,409	477,955	498,512
28,881	64,438	99,969	287,635	364,167	304,250
1,424,919	1,408,702	1,510,417	1,340,682	1,545,820	1,240,908
<u>13,283,905</u>	<u>16,610,141</u>	<u>17,694,881</u>	<u>17,495,492</u>	<u>19,343,499</u>	<u>18,072,955</u>
<u>\$ 17,893,978</u>	<u>\$ 21,684,832</u>	<u>\$ 22,725,624</u>	<u>\$ 22,905,949</u>	<u>\$ 24,759,668</u>	<u>\$ 22,866,912</u>

Schedule 6
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30			
	2016	2015	2014	2013
Expenditures:				
Current:				
Instruction	\$ 6,570,575	\$ 8,041,291	\$ 7,613,402	\$ 7,764,568
Support services - students and staff	1,038,161	1,052,918	1,552,803	1,491,151
Support services - administration	2,587,598	2,349,971	1,802,596	1,714,256
Operation and maintenance of plant services	1,718,495	1,821,204	1,829,988	1,891,430
Student transportation services	803,061	1,009,788	804,486	962,268
Operation of non-instructional services	378,437	473,166	546,669	570,836
Capital outlay	1,905,430	3,617,739	1,185,798	1,167,836
Debt service-				
Judgments against the district				
Interest and fiscal charges	500,175	452,814	340,690	372,191
Principal retirement	1,235,000	1,265,000	1,030,000	1,000,000
Bond issuance costs	-	93,900	90,400	-
Total expenditures	\$ 16,736,932	\$ 20,177,791	\$ 16,796,832	\$ 16,934,536
Expenditures for capitalized assets	\$ 1,212,609	\$ 4,259,637	\$ 642,642	\$ 721,949
Debt service as a percentage of noncapital expenditures	11%	11%	8%	8%

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

June 30

2012	2011	2010	2009	2008	2007
\$ 8,046,444	\$ 7,941,507	\$ 8,104,162	\$ 8,995,535	\$ 9,287,777	\$ 8,804,369
1,688,013	1,702,859	1,984,488	2,050,770	1,963,075	1,889,101
1,818,992	1,954,639	2,074,221	1,973,051	2,074,404	2,033,210
1,913,674	1,839,400	2,049,252	2,107,072	2,060,106	1,783,614
904,842	897,422	860,468	789,892	718,323	684,054
934,165	1,015,397	1,000,242	1,167,955	982,477	851,210
1,155,952	2,696,835	3,167,481	7,557,022	3,128,248	2,820,191
			90,170		
497,207	655,206	859,962	976,811	812,262	1,680,310
3,090,000	3,610,000	3,960,000	3,870,000	4,600,558	4,932,120
-	-	-	84,000	74,645	-
\$ 20,049,289	\$ 22,313,265	\$ 24,060,276	\$ 29,662,278	\$ 25,701,875	\$ 25,478,179
\$ 575,818	\$ 1,849,892	\$ 1,658,909	\$ 6,246,707	\$ 2,146,019	\$ 1,835,557
18%	21%	22%	21%	23%	28%

Schedule 7
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Other Financing Sources and Uses and Net Changes in Fund Balances-Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30			
	2016	2015	2014	2013
Excess (deficiency) of revenues over expenditures	\$ (646,803)	\$ (3,523,125)	\$ (200,590)	\$ (1,270,854)
Other financing sources (uses):				
General obligation bonds issued	-	4,000,000	4,000,000	-
Refunding bonds issued	-	-	-	-
Premium on sale of bonds	-	169,728	199,048	-
Capital lease agreements	-	-	-	-
Transfers in	34,948	186,907	553,861	18,114
Transfers out	(34,948)	(186,907)	(553,861)	(18,114)
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>4,169,728</u>	<u>4,199,048</u>	<u>-</u>
Changes in fund balances	<u>\$ (646,803)</u>	<u>\$ 646,603</u>	<u>\$ 3,998,458</u>	<u>\$ (1,270,854)</u>

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

June 30					
2012	2011	2010	2009	2008	2007
\$ (2,155,311)	\$ (628,433)	\$ (1,334,652)	\$ (6,756,329)	\$ (942,207)	\$ (2,611,267)
-	-	-	4,000,000	8,000,000	-
-	-	-	-	-	-
-	-	-	94,681	127,465	-
-	-	-	-	-	682,678
2,248	10,989	28,547	127,610	89,147	1,740
(2,248)	(10,989)	(28,547)	(127,610)	(89,147)	(1,740)
-	-	-	-	-	-
-	-	-	4,094,681	8,127,465	682,678
<u>\$ (2,155,311)</u>	<u>\$ (628,433)</u>	<u>\$ (1,334,652)</u>	<u>\$ (2,661,648)</u>	<u>\$ 7,185,258</u>	<u>\$ (1,928,589)</u>

Schedule 8
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Primary Assessed Value and Estimated Actual Value of Taxable Property by Class
Last Ten Fiscal Years

Class	June 30			
	2016	2015	2014	2013
Commercial, Industrial, Utilities and Mining	\$ 49,860,464	\$ 44,643,465	\$ 47,257,387	\$ 53,165,345
Agricultural and Vacant	37,058,068	31,980,191	19,892,422	25,442,311
Residential (Owner Occupied)	296,279,155	283,905,202	237,825,689	287,991,746
Residential (Rental)	146,422,700	130,692,073	73,462,845	24,860,938
Certain Government Property Improvements	28,119	24,043	22,086	23,932
Total	\$ 529,648,506	\$ 491,244,974	\$ 378,460,429	\$ 391,484,272
Estimated Actual Value (Full Cash Value)	\$ 5,239,108,809	\$ 4,824,508,569	\$ 3,727,192,037	\$ 3,806,938,199
Ratio of Primary Assessed Value to Estimated Actual Value	10.11%	10.18%	10.15%	10.28%

Source: The source of this information is the State and County Abstract of the Assessment Roll, Arizona Department of Revenue

Note: The primary assessed value generates revenues for general District operations.

June 30

2012	2011	2010	2009	2008	2007
\$ 59,009,973	\$ 70,282,387	\$ 67,062,102	\$ 64,911,053	\$ 58,646,052	\$ 53,770,259
43,983,792	62,808,821	63,742,051	53,567,980	45,302,998	42,385,419
345,058,740	405,727,984	422,684,294	382,145,476	329,139,109	273,568,450
27,387,483	31,184,692	29,809,464	28,225,108	24,556,009	19,514,310
-	-	-	-	-	-
\$ 475,439,988	\$ 570,003,884	\$ 583,297,911	\$ 528,849,617	\$ 457,644,168	\$ 389,238,438
\$ 4,580,845,993	\$ 5,657,888,010	\$ 6,463,758,107	\$ 5,030,896,858	\$ 6,031,310,085	\$ 3,739,931,151
10.38%	10.07%	9.02%	10.51%	7.59%	10.41%

Schedule 9
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Secondary Assessed Value and Taxable Property by Class
Last Ten Fiscal Years

Class	June 30			
	2016	2015	2014	2013
Commercial, Industrial, Utilities and Mining	\$ 49,860,464	\$ 44,601,247	\$ 47,344,800	\$ 53,339,625
Agricultural and Vacant	37,058,068	21,439,673	21,437,446	25,583,800
Residential (Owner Occupied)	296,279,125	242,361,220	238,132,001	288,202,347
Residential (Rental)	146,422,700	109,833,964	73,736,256	24,870,210
Certain Government Property Improvements	28,119	22,871	22,086	-
Total	\$ 529,648,476	\$ 418,258,975	\$ 380,672,589	\$ 391,995,982
Estimated Actual Value (Full Cash Value)	\$ 4,372,720,994	\$ 4,122,457,566	\$ 3,727,192,037	\$ 3,806,938,199
Ratio of Primary Assessed Value to Estimated Actual Value	12.11%	10.15%	10.21%	10.30%

Source: The source of this information is the State and County Abstract of the Assessment Roll, Arizona Department of Revenue

Note: The secondary assessed value generates revenues to service District bonded debt requirements and other voter-approved overrides.

June 30

2012	2011	2010	2009	2008	2007
\$ 59,150,340	\$ 80,627,482	\$ 81,947,769	\$ 77,444,252	\$ 68,063,621	\$ 59,248,705
44,575,432	78,302,882	95,734,492	88,945,654	66,933,175	54,863,591
345,238,358	407,417,057	461,663,380	504,229,845	461,949,918	276,688,580
27,412,292	31,509,687	34,445,063	36,856,089	33,812,005	19,976,018
-	-	-	-	-	-
\$ 476,376,422	\$ 597,857,108	\$ 673,790,704	\$ 707,475,840	\$ 630,758,719	\$ 410,776,894
\$ 4,580,845,993	\$ 5,657,888,010	\$ 6,463,758,107	\$ 5,030,896,858	\$ 6,031,310,085	\$ 3,739,931,151
10.40%	10.57%	10.42%	14.06%	10.46%	10.98%

Schedule 10
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Property Tax Assessment Ratios
Last Ten Fiscal Years

Class	June 30			
	2016	2015	2014	2013
Commercial, Industrial, Utilities and Mining	20%	20%	20%	20%
Agricultural and Vacant	16%	16%	16%	16%
Residential (Owner Occupied)	10%	10%	10%	10%
Residential (Rental)	10%	10%	10%	10%
Railroad, Private Cars and Airlines	15%	15%	15%	15%

Source: The source of this information is the State and County Abstract of the Assessment Roll, Arizona Department of Revenue

Note: Additional classes of property exist, but do not amount to a significant portion of the District's total valuation, therefore they are not included on this schedule.

June 30

2012	2011	2010	2009	2008	2007
20%	21%	22%	23%	24%	25%
16%	16%	16%	16%	16%	16%
10%	10%	10%	10%	10%	10%
10%	10%	10%	10%	10%	10%
15%	17%	18%	20%	21%	22%

Schedule 11
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30	Overlapping Rates						
	State Equalization	County-Wide	Community College District	Flood Control District	Water Conservation District	Town of Fountain Hills	East Valley Institute of Technology
2016	0.51	1.36	1.49	0.16	0.14	0.26	0.05
2015	0.51	1.52	1.28	0.16	0.14	0.26	0.05
2014	0.51	1.28	1.53	0.14	0.14	0.28	0.05
2013	0.47	1.24	1.38	0.18	0.10	0.27	0.05
2012	0.43	1.24	1.21	0.18	0.10	0.23	0.05
2011	0.36	1.05	0.97	0.15	0.10	0.16	0.05
2010	N/A	0.99	0.88	0.14	0.10	0.23	0.05
2009	N/A	1.03	0.94	0.14	0.10	0.20	0.05
2008	N/A	1.10	0.98	0.15	0.10	0.21	0.05
2007	N/A	1.18	1.06	0.20	0.12	0.30	0.05

Source: The source of this information is the Property Tax Rates and Assessed Values, Arizona Tax Research Foundation.

Note: N/A indicates that the information is not available.

District Direct Rates

Primary	Secondary	Total
1.97	0.82	2.79
2.28	0.83	3.11
2.55	0.85	3.40
2.21	0.82	3.03
1.83	1.09	2.92
1.92	1.10	3.02
2.04	1.00	3.04
2.23	0.93	3.16
2.69	1.21	3.90
2.95	1.73	4.68

Schedule 12
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Principal Property Taxpayers
Current Fiscal Year and Fiscal Year Nine Years Prior

Taxpayers	2016		2007	
	Secondary Assessed Valuation	Percentage of District's Net Assessed Valuation	Secondary Assessed Valuation	Percentage of District's Net Assessed Valuation
Chaparral City Water Company	\$ 3,207,780	0.80%	\$ 3,114,960	0.78%
Adero Canyon LLC	2,918,983	0.73%		
Hunter Retail LLC	2,516,743	0.63%		
WSL Fountain View Investors V LLC	1,854,251	0.46%	2,425,837	0.61%
Whitestone Fountain Hills, LLC	1,720,807	0.43%		
Target Corporation	1,496,191	0.37%	1,580,692	0.40%
Smith's Food & Drug Center Inc.	1,228,266	0.31%	1,370,079	0.34%
EN LLC	1,224,187	0.30%	2,509,538	0.63%
Qwest Corporation	1,132,473	0.28%	2,995,801	0.74%
29 SC Ridge View LP	1,079,348	0.27%		
Inland Western Fountain Hills Four Peaks LLC			3,216,251	0.81%
Four Peaks AZ Development LLC			1,752,935	0.44%
Fountain Hills Hotel Developers LLC			1,516,379	0.38%
Sun Tech Development LLC			1,370,079	0.34%
TOTAL	<u>\$ 18,379,029</u>	<u>4.58%</u>	<u>\$ 21,812,551</u>	<u>5.47%</u>

Source: The source of this information is the Maricopa County Assessor's records.

Schedule 13
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Fiscal Years	Collected to the end of the current fiscal year	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$ 11,685,479	\$ 11,508,039	98.48%	\$ -	\$ 11,508,039	98.48%
2015	12,614,183	11,669,394	92.51%	943,607	12,613,001	99.99%
2014	12,895,832	11,904,832	92.32%	990,666	12,895,498	100.00%
2013	11,886,869	11,005,892	92.59%	880,756	11,886,648	100.00%
2012	13,669,803	12,616,790	92.30%	806,455	13,423,245	98.20%
2011	17,530,970	16,636,868	94.90%	892,644	17,529,512	99.99%
2010	18,612,029	16,132,676	86.68%	1,451,762	17,584,438	94.48%
2009	18,414,302	16,820,534	91.34%	1,363,294	18,183,828	98.75%
2008	19,970,750	19,162,674	95.95%	807,844	19,970,518	100.00%
2007	18,593,157	17,981,451	96.71%	609,299	18,590,750	99.99%

Source: The source of this information is the 2015 Maricopa County Treasurer's records

Note: 1) Amounts collected are on a cash basis

2) Unsecured personal property taxes are not included in this schedule because the dates of the monthly rolls vary each year. On the average, 90% of unsecured property taxes are collected within 90 days after the due date.

Schedule 14
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds					Per Capita
	General Obligation Bonds	Less: Amounts Restricted for Principal	Total	Percentage of Estimated Actual Value (Full Cash Value)		
2016	\$ 14,513,492	\$ -	\$ 14,513,492	0.36 %		607
2015	15,475,000	231,205	15,243,795	0.36		647
2014	12,505,000	242,679	12,262,321	0.33		528
2013	9,505,000	117,829	9,387,171	0.25		408
2012	12,595,000	167,979	12,427,021	0.27		553
2011	16,205,000	546,971	15,658,029	0.28		619
2010	20,165,000	3,960,000	16,205,000	0.25		697
2009	24,035,000	3,870,000	20,165,000	0.40		865
2008	24,085,000	4,050,000	20,035,000	0.33		846
2007	20,885,000	4,800,000	16,085,000	0.43		690

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

Capital Leases	Total Outstanding Debt			
	Total	Percentage of Estimated Actual Value (Full Cash Value)	Per Capita	Percentage of Personal Income
	\$ 14,513,492	0.37 %	607	0.08 %
	15,475,000	0.37	656	0.01
-	12,505,000	0.34	538	0.01
-	9,505,000	0.25	413	0.01
-	12,595,000	0.27	5,640	0.01
-	16,205,000	0.29	867	0.01
-	20,165,000	0.31	1,031	0.01
-	24,035,000	0.48	1,017	0.02
-	24,085,000	0.40	919	0.02
550,558	21,435,558	0.57	1,112	0.02



Schedule 15
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Direct and Overlapping Governmental Activities Debt
June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to School District	Estimated Amount Applicable to School District
Overlapping:			
Maricopa County Community College District			6,250,433
Town of Fountain Hills			8,805,000
Eagle Mountain Community Facilities District			<u>1,935,000</u>
Subtotal, Overlapping Debt			<u>16,990,433</u>
Direct:			
Fountain Hills Unified School District No. 98			<u>14,513,492</u>
Total Direct and Overlapping Governmental Activities Debt			<u><u>\$ 31,503,925</u></u>

Direct and Overlapping General Bonded Debt Ratios

Net Direct General Obligation Bonded Debt
As a Percentage of Net Secondary Assessed Valuation

Net Direct and Overlapping General Bonded Debt		
Per Capita	\$	1,318
As a Percentage of Net Secondary Assessed Valuation		7.51%
As a Percentage of Estimated Actual Value (Full Cash Value)		0.82%

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

Notes: 1) Estimated percentage of debt outstanding applicable to the District is calculated based on the District's secondary assessed valuation as a percentage of the secondary assessed valuation of the overlapping
2) Outstanding debt as of June 30, 2014 is presented for the overlapping governments as this is the most recent available information.

Schedule 16
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Legal Debt Margin Information
Last Ten Fiscal Years

	June 30			
	2016	2015	2014	2013
Debt Limit	\$ 125,786,409	\$ 120,889,778	\$ 114,201,777	\$ 117,605,974
Total net debt applicable to limit	14,513,492	14,513,492	12,505,000	9,505,000
Legal debt margin	\$111,272,917	\$106,376,286	\$101,696,777	\$108,100,974
Total net debt applicable to the limit as a percentage of debt limit	12%	12%	11%	8%

Class B Bond Legal Debt Margin Calculation for Fiscal Year 2016:

Secondary assessed valuation	\$ 419,288,030
Debt limit (20% of assessed value)	83,857,606
Debt applicable to limit	14,513,492
Legal debt margin	\$ 69,344,114

Total Legal Debt Margin Calculation for Fiscal Year 2016:

Secondary assessed valuation	\$ 419,288,030
Debt limit (30% of assessed value)	125,786,409
Debt applicable to limit	14,513,492
Legal debt margin	\$ 111,272,917

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

Notes: 1) The District's general obligation bonds are subject to two limits; the Constitutional debt limit (total debt limit) on all general obligation bonds and the statutory debt limit on Class B bonds. The calculations of the debt margins are presented in detail for the current fiscal year only.

2) Bond premium is not subject to the statutory debt limit.

June 30

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 142,912,927	\$ 179,357,132	\$ 202,137,211	\$ 212,242,752	\$ 189,227,616	\$ 123,233,068
<u>12,595,000</u>	<u>16,205,000</u>	<u>20,165,000</u>	<u>24,035,000</u>	<u>24,085,000</u>	<u>20,885,000</u>
<u>\$130,317,927</u>	<u>\$163,152,132</u>	<u>\$181,972,211</u>	<u>\$188,207,752</u>	<u>\$165,142,616</u>	<u>\$102,348,068</u>
9%	9%	10%	11%	13%	17%

Schedule 17
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
County-Wide Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (thousands)	Per Capita Income	Unemployment Rate	Estimated District Population
2016	4,152,800	\$ 175,437,829	\$ 48,240	2.4%	23,899
2015	4,167,947	168,483,421	46,619	5.4%	23,602
2014	4,009,412	147,700,000	48,244	6.0%	22,893
2013	3,824,058	147,374,500	47,260	5.6%	22,695
2012	3,843,370	142,864,275	44,660	6.7%	22,554
2011	4,023,331	142,091,618	40,672	4.8%	22,489
2010	3,862,036	147,122,078	38,918	4.5%	22,736
2009	3,987,942	139,665,253	38,439	2.6%	22,984
2008	3,907,492	132,423,154	32,230	1.5%	22,932
2007	3,792,675	120,716,738	32,230	1.7%	22,788

Source:

The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis. The source of the "Population" and "Unemployment Rate" information from 2007 through 2010 is the University of Arizona, Eller College of Management, Economic and Business Research Center. For 2011 through 2016, the source of the information is the Arizona Office of Employment and Population Statistics.

Schedule 18
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Principal Employers
Current Fiscal Year and Fiscal Year None Years Prior

Employer	2015		2006	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
State of Arizona	50,816	2.67%	49,305	2.58%
Banner Health Systems	35,406	1.86%	16,400	0.86%
Wal-Mart Stores Inc.	32,373	1.70%	28,800	1.51%
Kroger Co. (Fry's Food & Drug)	17,286	0.91%	11,780	0.62%
City of Phoenix	14,585	0.77%	14,166	0.74%
Wells Fargo & Co.	14,480	0.76%	11,800	0.62%
Maricopa County	13,567	0.71%	13,272	0.70%
Arizona State University	12,676	0.67%	11,533	0.60%
Dignity Health	12,100	0.64%		
University of Arizona	11,442	0.60%		
U.S. Postal Services			11,700	0.61%
Honeywell Aerospace			10,700	0.56%
Total	214,731	11.29%	179,456	9.40%
Total Maricopa County Employment	1,900,314		1,907,700	

Sources: The source of this information is The Business Journal Book of Lists.

Note: Information is present county-wide.

Schedule 19
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Full-Time Equivalent District Employees by Type
Last Ten Fiscal Years

	June 30			
	2016	2015	2014	2013
Supervisory				
Consultants/supervisors of instruction	-	-	-	-
Principals	3	3	3	3
Assistant principals	-	-	2	2
Total supervisory	<u>3</u>	<u>3</u>	<u>5</u>	<u>5</u>
Instruction				
Teachers	91	94	103	108
Other professionals (instructional)	9	11	11	11
Aides	20	17	29	28
Total instruction	<u>120</u>	<u>122</u>	<u>143</u>	<u>147</u>
Student Services				
Librarians	-	-	-	-
Technicians	10	11	11	11
Total student services	<u>10</u>	<u>11</u>	<u>11</u>	<u>11</u>
Support and Administration				
Food Service workers	5	5	5	8
Other classified	30	30	40	59
Total support and administration	<u>35</u>	<u>35</u>	<u>45</u>	<u>67</u>
Total	<u><u>168</u></u>	<u><u>171</u></u>	<u><u>204</u></u>	<u><u>230</u></u>

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

Notes: 1) The District's general obligation bonds are subject to two limits; the Constitutional debt limit (total debt limit) on all general obligation bonds and the statutory debt limit on Class B bonds. The calculations of the debt margins are presented in detail for the current fiscal year only.

2) Bond premium is not subject to the statutory debt limit.

June 30

2012	2011	2010	2009	2008	2007
1	1	2	1	4	1
4	4	4	4	2	4
2	2	2	2	-	2
<u>7</u>	<u>7</u>	<u>8</u>	<u>7</u>	<u>6</u>	<u>7</u>
114	129	130	137	134	139
11	13	13	12	11	3
28	25	23	23	22	24
<u>153</u>	<u>167</u>	<u>166</u>	<u>172</u>	<u>167</u>	<u>166</u>
1	1	2	4	4	4
11	11	10	10	10	10
<u>12</u>	<u>12</u>	<u>12</u>	<u>14</u>	<u>14</u>	<u>14</u>
8	8	8	10	6	6
59	63	63	70	72	72
<u>67</u>	<u>71</u>	<u>71</u>	<u>80</u>	<u>78</u>	<u>78</u>
<u>239</u>	<u>257</u>	<u>257</u>	<u>273</u>	<u>265</u>	<u>265</u>

Schedule 20
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Operating Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30	Average Daily Membership	Operating Expenditures	Cost per Pupil	Percentage Change	Expenses
2016	1,506	\$ 13,096,327	\$ 8,696	-4.54%	\$ 16,736,932
2015	1,619	14,748,338	9,110	8.93%	20,177,791
2014	1,692	14,149,944	8,363	5.74%	17,814,160
2013	1,820	14,394,509	7,909	-2.55%	17,035,631
2012	1,886	15,306,130	8,116	4.73%	18,307,799
2011	1,981	15,351,224	7,749	1.39%	18,781,248
2010	2,103	16,072,833	7,643	-1.45%	20,318,288
2009	2,203	17,084,275	7,755	1.35%	21,101,253
2008	2,233	17,086,162	7,652	10.01%	20,630,448
2007	2,307	16,045,558	6,955	3.76%	20,704,529

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

Note: Operating expenditures are total expenditures less debt service and capital outlay.

	Cost per Pupil	Percentage Change	Teaching Staff	Pupil Teacher Ratio	Percentage of Free/Reduced Students
\$	11,114	-10.83%	91	16.5	35 %
	12,463	18.38%	94	17.2	31.0
	10,528	12.48%	103	16.4	28.0
	9,360	-3.57%	108	16.9	47.0
	9,707	2.39%	114	16.5	21.0
	9,481	-1.87%	129	15.4	38.9
	9,662	0.87%	130	16.2	19.0
	9,578	3.67%	137	16.1	11.1
	9,239	2.94%	134	16.7	11.1
	8,975	-2.41%	139	16.6	11.1

Schedule 21
FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
Capital Assets Information
Last Ten Fiscal Years

	June 30			
	2016	2015	2014	2013
Schools				
Elementary				
Buildings	2	2	2	2
Square feet	146,473	146,473	146,473	146,473
Capacity	1,385	1,385	1,385	1,385
Enrollment	639	639	870	870
Middle				
Buildings	1	1	1	1
Square feet	116,394	116,394	116,394	116,394
Capacity	800	800	800	800
Enrollment	372	372	511	511
High				
Buildings	1	1	1	1
Square feet	200,620	200,620	200,620	200,620
Capacity	1,582	1,582	1,582	1,582
Enrollment	601	601	758	758
Other				
Buildings	1	1	1	1
Square feet	5,828	5,828	5,828	5,828
Administrative				
Buildings	1	1	1	1
Square feet	8,022	8,022	8,022	8,022
Transportation				
Garages	1	1	1	1
Buses	23	23	23	23
Athletics				
Football fields	1	1	1	1
Soccer fields	1	1	1	1
Running tracks	2	2	2	2
Baseball/softball	2	2	2	2
Playgrounds	1	1	1	1

June 30

2012	2011	2010	2009	2008	2007
2	2	2	2	2	2
146,473	146,473	146,473	146,473	146,473	146,473
1,385	1,385	1,385	1,385	1,385	1,385
870	870	870	928	927	953
1	1	1	1	1	1
116,394	116,394	116,394	116,394	116,394	116,394
800	800	800	800	800	800
511	511	511	533	549	576
1	1	1	1	1	1
200,620	200,620	200,620	200,620	195,845	195,845
1,582	1,582	1,582	1,582	1,582	1,582
758	758	758	795	821	838
1	1	1	1	1	1
5,828	5,828	5,828	5,828	5,828	5,828
1	1	1	1	1	1
8,022	8,022	8,022	8,022	8,022	8,022
1	1	1	1	1	1
23	23	23	23	23	23
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1



COMPLIANCE REPORT



INDEPENDENT AUDITORS' 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
Fountain Hills Unified School District No. 98
Fountain Hills, Arizona

We have audited, in accordance with the 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 Fountain Hills Unified School District No. 98, (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise of the District's basic financial statements and have issued our report thereon dated March 27, 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 the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry & Horne LLP

Casa Grande, Arizona
March 27, 2017

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

Governing Board
Fountain Hills Unified School District No. 98
Fountain Hills, Arizona

Report on Compliance for Each Major Federal Program

We have audited the Fountain Hills Unified School District No. 98's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Fountain Hills Unified School District No. 98's major federal program for the year ended June 30, 2016. Fountain Hills Unified School District No. 98'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Fountain Hills Unified School District No. 98, Arizona's major federal program 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 the Fountain Hills Unified School District No. 98, Arizona'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 the major federal programs. However, our audit does not provide a legal determination of the Fountain Hills Unified School District No. 98's compliance.

Opinion on the Major Federal Programs

In our opinion, Fountain Hills Unified School District No, 98, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Fountain Hills Unified School District No, 98, 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 the Fountain Hills Unified School District No, 98'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 the 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 the Fountain Hills Unified School District No. 98's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Henry + Horne LLP

Casa Grande, Arizona
March 27, 2017

Fountain Hills Unified School District No. 98
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2016

<u>Federal Grantor / Pass-Through Grantor / Program</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Arizona Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	N/A	\$ 16,985	
Cash Assistance:				
National School Lunch Program	10.555	N/A	<u>181,482</u>	
Cash Assistance Subtotal			<u>181,482</u>	
Total Child Nutrition Cluster				\$ 198,467
Total U.S. Department of Agriculture				<u>198,467</u>
U.S. DEPARTMENT OF EDUCATION				
Direct Programs:				
Impact Aid	84.041	N/A		94,239
Passed through Arizona Department of Education:				
Title I, Part A - Grants to Local Education Agencies	84.010			127,971 *
Special Education Cluster:				
Special Education - Grants to States	84.027		46,926	
Special Education - Preschool Grants	84.173		<u>273,059</u>	
Total Special Education Cluster				319,985 *
Career and Technical Education - Basic Grants to States	84.048			15,375
Improving Teacher Quality State Grants	84.367			32,910
Total U.S. Department of Education				<u>590,480</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Public Consulting Group, Inc.:				
Medical Assistance Program	93.778			6,110
Total U.S. Department of Health and Human Services				<u>6,110</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 795,057</u>

* Denotes major program

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2016

NOTE 1 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fountain Hills Unified School District No. 98 (District) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

NOTE 3 INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate as covered in the Uniform Guidance.

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
 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 weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Type of auditors' report issued on compliance for each major program identified below:

Unmodified

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

yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A – Grants to Local Education Agencies
84.027, 84.173	Special Education Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

FOUNTAIN HILLS UNIFIED SCHOOL DISTRICT NO. 98
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*

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.



FOUNTAIN HILLS
UNIFIED SCHOOL DISTRICT

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Fountain Hills, AZ 85268
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480-664-5099
FountainHillsSchools.org

Fountain Hills Unified School District No. 98
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

The findings from the year ended June 30, 2015 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

2015-001 Reconciliation of capital acquisitions

Condition: The finding was a material weakness stating that the District did not perform a reconciliation of capital acquisitions to total capital expenditures and as a result material adjustments were required to properly state capital assets.

Recommendation: The auditor recommended that the District perform a reconciliation between capital expenditures and capital additions at least annually.

Action Taken: The recommendation was adopted during fiscal year 2016 and as a result a reconciliation was performed prior to the audit.

2015-002 Reconciliation of cash

Condition: The finding was a material weakness stating that the District was not performing cash reconciliations between the County School Superintendent (CSS) and the County Treasurer which resulted in several adjustments being required to properly state cash on the financial statements.

Recommendation: The auditor recommended that the District perform these reconciliations on a monthly basis to ensure that cash is properly recorded.

Action Taken: The recommendation was adopted during fiscal year 2016 and as a result reconciliations were performed on a regular basis.

Sincerely yours,

A handwritten signature in black ink that reads "Robert Allen". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Dr. Robert Allen
Assistant Superintendent for Business Operations