

Harold Begay
Superintendent
Tuba City Unified School District
PO Box 67
Tuba City, Arizona 86045

Dear Dr. Begay:

We have compiled the accompanying Schedule of Cash Flows Projection of Tuba City Unified School District (District) for the fiscal years ended June 30, 2016 through June 30, 2030 in accordance with attestation standards established by the American Institute of Certified Public Accountants. The comparative historical information presented for the year ended June 30, 2015 was derived from the financial statements for that year which were audited by other accountants whose report dated March 21, 2016, expressed an unmodified opinion on those statements. The accompanying projection was prepared to show what the significant effects on the District would be once the Impact Aid Revenue Bonds, Series 2016 are issued

A compilation is limited to presenting in the form of a projection information that is the representation of management and does not include evaluation of the support for the assumptions underlying the projection. We have not examined the projection and accordingly, do not express an opinion or any other form of assurance on the accompanying projection or assumptions. Furthermore, even if the Impact Aid Revenue Bonds, Series 2016 are issued, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying Schedule of Cash Flows Projection and this report are intended solely for the information and use of District management and the placement agent and is not intended to be and should not be used by anyone other than these specified parties.

We are not independent with respect to Tuba City Unified School District.

Heinfeld, Meech & Co., P.C.

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Phoenix, Arizona

October 7, 2016

TUBA CITY UNIFIED SCHOOL DISTRICT NO. 15
FEDERAL IMPACT AID FUND
SCHEDULE OF CASH FLOWS PROJECTION
FISCAL YEARS 2015-2030

		Comparative Historial Information	Estimated	Estimated	Estimated	Estimated
Fiscal Year Ended	Reference	2015	2016	2017	2018	2019
Fund Balance, beginning of the year	NOTE 2	\$16,923,179	\$17,223,218	\$14,928,957	\$8,289,116	\$3,548,058
Revenues:						
Local (interest on investments, refund prior year)	NOTE 3	\$130,488	\$156,035	\$74,645	\$41,446	\$17,740
Federal Impact Aid	NOTE 3	10,542,963	10,452,633	9,023,936	8,590,619	9,410,793
Total Revenue		10,673,452	10,608,668	9,098,581	8,632,065	9,428,533
Expenditures:						
Impact Aid Operational Expenditures	NOTE 4	8,319,493	7,707,779	7,650,000	7,150,000	7,000,000
Impact Aid Construction Expenditures	NOTE 4	93,016	3,112,539	2,188,950	2,461,604	
Impact Aid Operational Expenditures - <i>Encumbered</i>			0			
Impact Aid Construction Expenditures - <i>Encumbered</i>			0			
Impact Aid Tank & Well Improvements	NOTE 4			45,900	765,000	
Total Expenditures		\$8,412,508	\$10,820,318	\$9,884,850	\$10,376,604	\$7,000,000
Transfer Out:						
Cash Transfers from Impact Aid to General Fund	NOTE 5	1,948,313	2,082,611	2,097,732	2,097,732	2,097,732
Debt Service Reserve	NOTE 5			899,624		
Debt Service Payment	NOTE 5			614,092	898,787	898,066
Total Transfer Out		1,948,313	2,082,611	3,611,448	2,996,519	2,995,798
Cash Reserve for State Aid						
Cash reserve needed for delayed State Aid	NOTE 6			2,242,124		
Total Cash Reserve				2,242,124		
Ending Fund Balance	NOTE 7	\$17,235,809	\$14,928,957	\$8,289,116	\$3,548,058	\$2,980,793

See Accompanying Summary of Significant Cash Flows Assuptions and Accounting Policies.

TUBA CITY UNIFIED SCHOOL DISTRICT NO. 15
FEDERAL IMPACT AID FUND
SCHEDULE OF CASH FLOWS PROJECTION
FISCAL YEARS 2015-2030

		Estimated	Estimated	Estimated	Estimated	Estimated
Fiscal Year Ended	Reference	2020	2021	2022	2023	2024
Fund Balance, beginning of the year	NOTE 2	\$2,980,793	\$3,227,728	\$3,771,112	\$3,339,931	\$2,812,805
Revenues:						
Local (interest on investments, refund prior year)	NOTE 3	\$14,904	\$16,139	\$18,856	\$16,700	\$14,064
Federal Impact Aid	NOTE 3	10,231,773	10,525,485	9,546,366	9,455,407	9,360,853
Total Revenue		10,246,677	10,541,623	9,565,222	9,472,107	9,374,917
Expenditures:						
Impact Aid Operational Expenditures	NOTE 4	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Impact Aid Construction Expenditures	NOTE 4					
Impact Aid Operational Expenditures - <i>Encumbered</i>						
Impact Aid Construction Expenditures - <i>Encumbered</i>						
Impact Aid Tank & Well Improvements	NOTE 4					
Total Expenditures		\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000
Transfer Out:						
Cash Transfers from Impact Aid to General Fund	NOTE 5	2,097,732	2,097,732	2,097,732	2,097,732	2,097,732
Debt Service Reserve	NOTE 5					
Debt Service Payment	NOTE 5	902,010	900,508	898,671	901,500	898,883
Total Transfer Out		2,999,742	2,998,240	2,996,403	2,999,232	2,996,615
Cash Reserve for State Aid						
Cash reserve needed for delayed State Aid	NOTE 6					
Total Cash Reserve						
Ending Fund Balance	NOTE 7	\$3,227,728	\$3,771,112	\$3,339,931	\$2,812,805	\$2,191,107

See Accompanying Summary of Significant Cash Flows Assuptions and Accounting Policies.

TUBA CITY UNIFIED SCHOOL DISTRICT NO. 15
FEDERAL IMPACT AID FUND
SCHEDULE OF CASH FLOWS PROJECTION
FISCAL YEARS 2015-2030

		Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Fiscal Year Ended	Reference	2025	2026	2027	2028	2029	2030
Fund Balance, beginning of the year	NOTE 2	\$2,191,107	\$2,358,020	\$2,427,618	\$2,395,766	\$3,163,031	\$3,835,602
Revenues:							
Local (interest on investments, refund prior year)	NOTE 3	\$10,956	\$11,790	\$12,138	\$11,979	\$15,815	\$19,178
Federal Impact Aid	NOTE 3	10,154,621	10,053,074	9,952,544	9,853,018	9,754,488	9,656,943
Total Revenue		10,165,576	10,064,864	9,964,682	9,864,997	9,770,303	9,676,121
Expenditures:							
Impact Aid Operational Expenditures	NOTE 4	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Impact Aid Construction Expenditures	NOTE 4						
Impact Aid Operational Expenditures - <i>Encumbered</i>							
Impact Aid Construction Expenditures - <i>Encumbered</i>							
Impact Aid Tank & Well Improvements	NOTE 4						
Total Expenditures		\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000
Transfer Out:							
Cash Transfers from Impact Aid to General Fund	NOTE 5	2,097,732	2,097,732	2,097,732	2,097,732	2,097,732	2,097,732
Debt Service Reserve	NOTE 5						
Debt Service Payment	NOTE 5	900,932	897,534	898,802	0	0	0
Total Transfer Out		2,998,664	2,995,266	2,996,534	2,097,732	2,097,732	2,097,732
Cash Reserve for State Aid							
Cash reserve needed for delayed State Aid	NOTE 6						
Total Cash Reserve							
Ending Fund Balance	NOTE 7	\$2,358,020	\$2,427,618	\$2,395,766	\$3,163,031	\$3,835,602	\$4,413,991

See Accompanying Summary of Significant Cash Flows Assuptions and Accounting Policies.

TUBA CITY UNIFIED SCHOOL DISTRICT NO. 15
SUMMARY OF SIGNIFICANT CASH FLOWS
ASSUMPTIONS AND ACCOUNTING POLICIES
YEARS ENDING JUNE 30, 2016 THROUGH JUNE 30, 2030

The accompanying cash flows projection presents, to the best of management's knowledge and belief, Tuba City Unified School District's No. 15 (District) expected revenues, expenditures and changes in fund balance for the Federal Impact Aid Fund for years ending June 30, 2015 through June 30, 2030. Accordingly, the cash flows projections reflects management's judgment as of August 15, 2016, the date of this cash flows projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the cash flows projection. There will usually be differences between the projected and actual results because events and circumstances frequently to not occur as expected, and those differences may be material. The comparative historical information for 2015 is included within the District's General Fund financial statements for that year. These financial statements should be read for additional information.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Federal Impact Aid Fund Schedule of Cash Flows Projection is presented using the current financial resources measurement focus. Revenues are recognized as soon as both measurable and available. Revenues are considered to be available when they are collectible within the fiscal period or soon enough thereafter to pay liabilities of that fiscal period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District accounts for prior year expenditures during the encumbrance period, a period of 60 days following the end of the fiscal year. During this time, all outstanding liabilities for goods and services received by June 30 are paid. For the purpose of the Schedule of Cash Flows Projection the encumbered expenses are expected to be paid.

NOTE 2 – BEGINNING FUND BALANCE

The beginning fund balance in fiscal year ended June 2015 of \$16,923,179 is comprised of the Federal Impact Aid Fund beginning cash balance.

NOTE 3 – REVENUES

The forecasted amount for local revenue is based upon management's estimate that they will earn .5 percent interest on the cash balance throughout the year.

TUBA CITY UNIFIED SCHOOL DISTRICT NO. 15
SUMMARY OF SIGNIFICANT CASH FLOWS
ASSUMPTIONS AND ACCOUNTING POLICIES
YEARS ENDING JUNE 30, 2015 THROUGH JUNE 30, 2030

NOTE 3 – REVENUES

The forecasted amount for federal impact aid is based upon the amount received as of August 15, 2016 of \$10,452,633 for fiscal year 2016, a 75 percent of Learning Opportunity Threshold (LOT) for fiscal year 2016, a 75 percent LOT rate for fiscal years 2017 through fiscal years 2030. It is estimated that the remaining payments for fiscal years 2014 forward will be paid over the following three fiscal years on a rolling basis. It is estimated that enrollment will stay level and the funding per pupil will decrease by 1 percent each year.

NOTE 4 – EXPENDITURES

The forecasted amount of expenditures for the Federal Impact Aid Fund are separated between operational and construction related expenditures. The forecasted amount for the Federal Impact Aid operational expenditures is based upon management's belief that expenditures will decrease in subsequent years due to program reductions. The forecasted amount for Federal Impact Aid construction expenditures is based upon management's belief of the estimated cost to complete the school facility and tank/well improvements with no other construction during that time.

NOTE 5 – TRANSFERS OUT

For fiscal years 2017-30 transfers out include the Federal Impact Aid Fund transfer to the General Fund to cover the difference between the equalization assistance funding provided by the Arizona Department of Education and the General fund budget limit. For fiscal year ending on June 30, 2017, this amount is \$2,097,732. It is estimated this amount will continue each year.

The Impact Aid Debt Service Payment and the Debt Service Reserve Fund requirement were obtained from an the amortization schedule provided by the District's placement agent, Stifel, Nicolaus & Company, Incorporated. The District's management believes this to be an accurate representation of the debt service costs associated with the issuance of the impact aid revenue bonds. The final debt service payment (FY 2028) will be made from the debt service reserve fund.

NOTE 6 – CASH RESERVE FOR DELAYED STATE AID

Arizona Department of Education delays approximately 25 percent of state aid payments until July of the following fiscal year. As a result, the District transfers cash into the General Fund to avoid the costs involved with registering warrants, or drawing from a line of credit. For fiscal year ending on June 30, 2017, this amount is \$2,242,124. This amount is recorded once on the Schedule of Cash Flows Projection because at the start of each year the amount is transferred and at the close of each year it is returned. Rather than showing the transfer in and out each year, it is only shown as a transfer out in FY17 and continues to reserve a portion of the ending cash balance.

TUBA CITY UNIFIED SCHOOL DISTRICT NO. 15
SUMMARY OF SIGNIFICANT CASH FLOWS
ASSUMPTIONS AND ACCOUNTING POLICIES
YEARS ENDING JUNE 30, 2015 THROUGH JUNE 30, 2030

NOTE 7 – ENDING FUND BALANCE

The ending fund balance accounts for the beginning fund balance plus revenues minus expenditures and transfers. The District Governing Board established a Fund Balance Policy to sustain a minimum of \$2.5M in cash at any giving time within the Federal Impact Aid Fund.