

**Hopi Junior/Senior High School**

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**Basic Financial Statements  
and Single Audit Reports  
Year ended June 30, 2016**

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## **Independent Auditor's Report**

The Honorable Members of the Governing Board  
Hopi Junior/Senior High School  
Keams Canyon, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Hopi Junior/Senior High School as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hopi Junior/Senior High School's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of Hopi Junior/Senior High School as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4–11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hopi Junior/Senior High School's 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 not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of Hopi Junior/Senior High School'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 Hopi Junior/Senior High School's internal control over financial reporting and compliance.

*Wain & Armstrong, LLP*

Phoenix, Arizona  
November 14, 2016

## **Management's Discussion and Analysis**

**Hopi Junior/Senior High School  
Management's Discussion and Analysis  
Year ended June 30, 2016**

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As management of Hopi Junior/Senior High School (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the following financial statements, which begin on page 12.

**Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$10,809,335 (net position).
- As of the close of the current fiscal year, the School's governmental fund reported an ending fund balance of \$1,837,285.
- The School's unrestricted cash balance at June 30, 2016 was \$567,609 representing a decrease of \$29,023 from June 30, 2015.
- The School had intergovernmental revenues of \$11,821,368, rental and other income of \$93,531 and program expenditures of \$11,522,785 for the year ended June 30, 2016.
- The School's capital outlays for the year ended June 30, 2016 were \$483,758.

**Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains the schedule of expenditures of federal awards as supplementary information.

***Implementation of New Accounting Guidance*** - For the year ended June 30, 2016, Hopi Junior/Senior High School adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* which resulted in additional new disclosures for investments which can be found in note 2 on page 26.

**Hopi Junior/Senior High School  
Management's Discussion and Analysis - Continued  
Year ended June 30, 2016**

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**Overview of the Financial Statements - Continued**

***Government-Wide Financial Statements***

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

The *statement of net position* presents information on all of the School'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 School is improving or deteriorating.

The *statement of activities* presents information showing how the School'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., depreciation and earned but unused vacation leave).

The government-wide financial statements report on the function of the School that is principally supported by intergovernmental revenues. The School's function is to provide a positive and safe learning environment based on the strengths and values of the Hopi Community, which are funded primarily with grant revenue received from the U.S. Department of Interior, Bureau of Indian Education, and the Office of Indian Education Programs.

The statement of net position and the statement of activities are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status. The government-wide financial statements can be found on pages 12 and 13 of this report.

***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 School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has only one fund – the special revenue fund.

The *fund financial statements* focus on individual parts of the government and reporting the School's operations in more detail than the government-wide statements. Fund financial statements for the special revenue fund are on pages 14 through 16.

**Hopi Junior/Senior High School  
Management's Discussion and Analysis - Continued  
Year ended June 30, 2016**

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**Overview of the Financial Statements - Continued**

*Government funds* – All of the School's basic services are included in the governmental fund. Governmental funds focus on how *cash and other financial assets* that can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between governmental activities and balances reported in the statement of net position and the statement of activities and the governmental fund statements.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Hopi Junior/Senior High School's own programs. Fiduciary funds are presented using the economic resources measurement focus and the accrual basis of accounting.

The basic fiduciary fund statements can be found on pages 18 and 19 of this report.

***Notes to the Financial Statements***

The notes provide 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 on pages 20 through 30 of this report.

***Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Hopi Junior/Senior High School's budgetary analysis. Required supplementary information can be found at page 17 of this report.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards can be found on page 30 of this report.

**Hopi Junior/Senior High School  
Management's Discussion and Analysis - Continued  
Year ended June 30, 2016**

**Government-Wide Financial Analysis**

The following is an analysis of significant changes in operations from the prior year:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$10,809,335 at the close of the most recent fiscal year.

The largest portion of the School's net position (85 percent) reflects its net investment in capital assets. A portion of net position is restricted for scholarships using School resources for future school expenditures. For the year ended June 30, 2016, the unrestricted net position of the School is a deficit which reflects grant expenses greater than revenues in the prior reporting period.

**Net Position – Governmental Activities  
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Current and other assets	\$ 2,670,973	\$ 1,985,505
Capital assets	9,187,482	9,494,578
<b>Total assets</b>	<u>11,858,455</u>	<u>11,480,083</u>
<b>Liabilities:</b>		
Current	627,795	769,504
Non-current	168,006	65,575
<b>Total liabilities</b>	<u>795,801</u>	<u>835,079</u>
<b>Deferred Inflows of Resources:</b>		
Unearned facilities grant revenue	253,319	227,782
<b>Total deferred inflows of resources</b>	<u>253,319</u>	<u>227,782</u>
<b>Net Position:</b>		
Net investment in capital assets	9,035,951	9,494,578
Restricted for scholarships	240,417	240,375
Unrestricted	1,532,967	682,269
<b>Total net position</b>	<u>\$ 10,809,335</u>	<u>\$ 10,417,222</u>

The School's revenues are earned primarily from intergovernmental school grants issued by the U.S. Department of the Interior – Bureau of Indian Education and the U.S. Department of Education. The School receives funding from the Bureau of Indian Education for its academic activities including instruction, transportation, facilities' maintenance and support services. The School had sufficient revenues and reserves to fund the expenses incurred during the year.

**Hopi Junior/Senior High School  
Management's Discussion and Analysis - Continued  
Year ended June 30, 2016**

**Government-Wide Financial Analysis - Continued**

The following reports the School's expenses by function:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Basic education	\$ 5,456,847	\$ 5,230,393
Special education	1,207,420	1,168,349
Student transportation	1,491,020	1,462,159
Facilities	1,750,988	1,835,622
Supportive services	998,709	1,127,555
Child nutrition	254,005	244,068
Career counseling	95,691	89,097
Remedial education	169,370	40,199
Instructional training	98,735	71,395
Total governmental activities expenses by function	<u>\$ 11,522,785</u>	<u>\$ 11,268,837</u>

**Special Revenue Fund Financial Analysis**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's governmental fund is discussed below:

***Governmental Fund***

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

As of the end of the current fiscal year, the School's governmental fund, which consists of one special revenue fund, reported an ending fund balance of \$1,837,285. The School's two major sources of revenues are intergovernmental grant revenues of \$11,821,368 and rental income of \$66,295. The fund balance primarily represents the accumulation of intergovernmental revenues in excess of expenditures.

**Special Revenue Fund Budgetary Analysis**

The School revised their budget during the fiscal year to account for additional grant revenues. Overall the School reported \$657,196 more revenue and \$541,002 less expenditures than budgeted.

**Hopi Junior/Senior High School  
Management's Discussion and Analysis - Continued  
Year ended June 30, 2016**

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**Special Revenue Fund Budgetary Analysis – Continued**

The following discusses the significant variances between the results and the budget for the year:

- **Intergovernmental revenue** of \$11,821,368 was \$563,665 (5%) more than budgeted due to additional funding for the Facilities Management Minor Improvement & Repair (MI&R) that was received.
- **Basic education** expenditures of \$5,362,346 were \$65,746 more than budgeted due to increased educational costs by the School to help meet state and federal student standards.
- **Student transportation** expenditures of \$1,488,400 were \$16,760 less than budgeted due to spending less on vehicles and buses leased from the General Service Administration.
- **Facilities** expenditures of \$1,375,110 were \$289,707 greater than budgeted due to continued capital outlays to enhance the infrastructure of the school building to meet the required building standards for compliance with Federal Code for occupancy and the security of the school building and its contents.
- **Special education** expenditures of \$1,197,288 were \$506,502 less than budgeted due to vacancies in the teaching and support staff that were not filled due to the School being in an isolated area and applicants not wanting to travel greater distance for amenities. There is a lack of willing and qualified individuals in the area.
- **Supportive services** expenditures of \$705,670 were \$383,140 less than budgeted due to a reduction in support staff during the year. In addition, both the Chief School Administrator and vice principal resigned midyear and other positions remained open and vacant for that year.
- **Child nutrition** expenditures of \$254,005 were \$99,305 greater than budgeted due to an increase in the student count which was not considered during the budget process. Also, there was a deficit in program funding based on the reimbursement process for students not taking advantage of the free and reduced meal that is offered by the School.
- **Instructional training** expenditures of \$68,821 were \$89,579 less than budgeted because expenditures were funded by other programs, which includes the Special Education, Title II-A Professional Development and the Title IA Program.
- **Remedial education** expenditures of \$169,370 were \$95,470 less than budgeted because the Title 1 Program did not hire the Federal Programs Director for the full school year and outlay expenses such as supplies and materials were not expended.

**Hopi Junior/Senior High School  
Management's Discussion and Analysis - Continued  
Year ended June 30, 2016**

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**Capital Asset and Debt Administration**

*Capital Assets*

As of June 30, 2016, the School's investment in capital assets for its governmental activities was \$9,035,951 (net of accumulated depreciation and related debt). This investment in capital assets includes buildings, building and facility improvements, furniture and fixtures, vehicles, and computer equipment.

Capital expenditures during the current fiscal year totaled \$483,758 which was comprised of a new generator for the school, capital leases for copiers and other minor facility improvements. Additional information on the School's capital assets can be found in note 6 on page 28 of this report.

*Long-term Liabilities*

As of June 30, 2016, the School had total outstanding debt which consisted of capital leases of \$151,531 and compensated absences payable to the School's employees of \$63,900. Additional information on the School's long-term debt can be found in notes 7 and 8 on page 29 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the School's budget for the 2017 fiscal year:

- The School does not expect any significant change in the student population for 2017 and expects the weighted-student units to remain consistent with 2016.

**Hopi Junior/Senior High School  
Management's Discussion and Analysis - Continued  
Year ended June 30, 2016**

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**Future Events that will Financially Impact the School**

With passage of the *Every Student Succeeds Act* (ESSA) the role of the Federal government in education has been scaled back with the transfer of increased oversight responsibilities back to the states for greater control over accountability and school improvements. The ESSA focuses on helping traditionally overlooked groups of students and failing schools while maintaining the key transparency requirement of the NCLB law including annual testing. Also, the bill directs states and districts to turn around their lowest performing schools which are identified as those schools with high dropout rates or so called “subgroups” of students (such as English-language learners, students in special education, and racial minorities). For the school year 2016-2017, Hopi Junior Senior High School will be in transition to address the implementation of the ESSA. To achieve this, trainings will need to be done during the summer months of 2017 for our administration and teaching faculty. Additionally, Hopi Junior Senior High School will be implementing the Year 2 AVID model for career and college readiness for the Junior and Senior High School. To put this model into action, the School will need to conduct training during the summer of 2017 that includes research based best practices for professional development.

**Contacting the School's Financial Management**

The financial report is designed to provide a general overview of the School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief School Administrator, Hopi Junior/Senior High School, P.O. Box 337, Keams Canyon, AZ 86034, or call (928) 738-5111.

## **Basic Financial Statements**

**Hopi Junior/Senior High School**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 567,609
Restricted cash	240,417
Investments	1,861,601
Intergovernmental receivables	1,346
Capital assets (net of accumulated depreciation)	9,187,482
Total assets	11,858,455
<b>Liabilities</b>	
Accounts payable	290,033
Accrued liabilities	183,619
Unearned revenue	98,424
Due to agency fund	8,294
Noncurrent liabilities:	
Due within one year	47,425
Due in more than one year	168,006
Total liabilities	795,801
<b>Deferred Inflows of Resources:</b>	
Unearned facilities grant revenues	253,319
Total deferred inflows of resources	253,319
<b>Net Position</b>	
Net investment in capital assets	9,035,951
Restricted for scholarships	240,417
Unrestricted	1,532,967
Total net position	\$ 10,809,335

The accompanying notes are an integral  
part of these financial statements.

**Hopi Junior/Senior High School**  
**Statement of Activities**  
**Year ended June 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants</u> <u>and Contributions</u>	<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Position</u> <u>Governmental</u> <u>Activities</u>
<b>Governmental activities:</b>			
Basic education	\$ 5,456,847	\$ 5,500,265	\$ 43,418
Special education	1,207,420	1,703,790	496,370
Student transportation	1,491,020	1,505,162	14,142
Facilities	1,750,988	1,304,607	(446,381)
Supportive services	998,709	1,088,811	90,102
Child nutrition	254,005	221,092	(32,913)
Career counseling	95,691	-	(95,691)
Remedial education	169,370	332,300	162,930
Instructional training	98,735	165,341	66,606
Total governmental activities	<u>\$ 11,522,785</u>	<u>\$ 11,821,368</u>	298,583
<b>General revenues:</b>			
Rent			66,295
Income on investments			7,092
Other			<u>20,144</u>
Change in net position			392,114
Net position - beginning of year			<u>10,417,221</u>
<b>Net position - end of year</b>			<u><u>\$ 10,809,335</u></u>

The accompanying notes are an integral  
part of these financial statements.

**Hopi Junior/Senior High School  
Balance Sheet  
Governmental Fund  
June 30, 2016**

	<b>Special Revenue</b>
<b>Assets</b>	
Cash and cash equivalents, unrestricted	\$ 567,609
Restricted cash	240,417
Investments	1,861,601
Intergovernmental receivables	1,346
Total assets	\$ 2,670,973
 <b>Liabilities</b>	
Accounts payable	\$ 290,033
Accrued liabilities	183,618
Unearned revenue	98,424
Due to other funds	8,294
Total liabilities	580,369
 <b>Deferred Inflows of Resources</b>	
Unearned facilities grant revenues	253,319
Total deferred inflows of resources	253,319
 <b>Fund Balances</b>	
Restricted for scholarships	240,417
Assigned	1,596,868
Total fund balance	1,837,285
Total liabilities, deferred inflows of resources and fund balances	\$ 2,670,973
 <b>Reconciliation of fund balance to total net position:</b>	
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance	\$ 1,837,285
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	9,187,481
Long-term liabilities, including compensated absences and capital leases, are not due and payable in the current period and therefore are not reported in the fund financial statements.	(215,431)
Net position of governmental activities (page 12)	\$ 10,809,335

The accompanying notes are an integral part of these financial statements.

**Hopi Junior/Senior High School  
Statement of Revenues, Expenditures and  
Change in Fund Balance - Governmental Fund  
Year ended June 30, 2016**

	<b>Special Revenue</b>
<b>Revenues</b>	
Intergovernmental	\$ 11,821,368
Interest income	7,092
Rental	66,295
Other	20,144
Total revenues	11,914,899
<b>Expenditures</b>	
<i>Current</i>	
Basic education	5,362,346
Student transportation	1,488,400
Facilities	1,375,110
Special education	1,197,288
Supportive services	705,670
Child nutrition	254,005
Career counseling	95,691
Instructional training	68,821
Remedial education	169,370
<i>Debt service</i>	
Principal	18,664
Interest	16,905
<i>Capital outlay</i>	
	483,758
Total expenditures	11,236,028
Excess of revenues over expenditures	678,871
<b>Other financing sources</b>	
Capital lease agreements	170,195
Net change in fund balance	849,066
Fund balance, at beginning of year	988,219
<b>Fund balance, at end of year</b>	<b>\$ 1,837,285</b>

The accompanying notes are an integral  
part of these financial statements.

**Hopi Junior/Senior High School  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Change in Fund Balance of Governmental Fund  
 to the Statement of Activities  
 Year ended June 30, 2016**

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**Reconciliation of the statement of revenues, expenditures and change  
 in fund balance of the governmental fund to the statement of activities:**

Amounts reported for governmental activities in the statement  
 of activities (page 13) are different because:

<b>Net change in fund balance (page 15)</b>	<b>\$ 849,066</b>
The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental fund. This is the amount which compensated absences increased during the current period and has been reported as an increase of expenses in the statement of activities	1,675
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The repayment of the principal of long-term debt consumes current financial resources of governmental funds, however, the repayment of principal on long-term debt has no effect on net assets. This is the amount of the principal payments reported in the governmental fund.	
Debt issued	(170,195)
Principal repaid	18,664
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	483,758
Depreciation expense	(790,854)
<b>Change in net position (page 13)</b>	<b><u>\$ 392,114</u></b>

The accompanying notes are an integral  
 part of these financial statements.

**Hopi Junior/Senior High School**  
**Statement of Revenues, Expenditures and Change in Fund Balance -**  
**Budget and Actual - Governmental Fund**  
**Year ended June 30, 2016**

	<u>Special Revenue</u>			<b>Variance Favorable (Unfavorable)</b>
	<b>Budget</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 9,484,163	\$ 11,257,703	\$ 11,821,368	\$ 563,665
Interest income	-	-	7,092	7,092
Rental	80,169	-	66,295	66,295
Other	-	-	20,144	20,144
Total revenues	<u>9,564,332</u>	<u>11,257,703</u>	<u>11,914,899</u>	<u>657,196</u>
<b>Expenditures</b>				
<i>Current</i>				
Basic education	4,543,820	5,296,600	5,362,346	(65,746)
Student transportation	1,246,636	1,505,160	1,488,400	16,760
Facilities	832,867	1,085,403	1,375,110	(289,707)
Special education	1,355,606	1,703,790	1,197,288	506,502
Supportive services	882,810	1,088,810	705,670	383,140
Child nutrition	154,700	154,700	254,005	(99,305)
Career counseling	104,410	-	95,691	(95,691)
Instructional training	205,483	158,400	68,821	89,579
Remedial education	238,000	264,840	169,370	95,470
Total expenditures	<u>9,564,332</u>	<u>11,257,703</u>	<u>10,716,701</u>	<u>541,002</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,198</u>	<u>\$ 1,198,198</u>

**The School's adopted budget does not include debt service payments or capital outlays. Therefore the following reconciliation is necessary to present actual expenditures, on a budgetary basis, in order to provide a meaningful comparison:**

	<u>Total Expenditures</u>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</b>	\$ 10,716,701
Debt service payments:	
Principal	18,664
Interest	16,905
Capital outlays	<u>483,758</u>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balance (page 15)</b>	<u>\$ 11,236,028</u>

The accompanying notes are an integral  
part of these financial statements.

**Hopi Junior/Senior High School  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2016**

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	<u>Agency</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 144,469
Due from other funds	<u>8,294</u>
Total assets	<u>\$ 152,763</u>
<b>Net Position</b>	
Funds held for others	<u>\$ 152,763</u>

The accompanying notes are an integral  
part of these financial statements.

**Hopi Junior/Senior High School**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**Year ended June 30, 2016**

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	<u>Agency</u>
<b>Additions:</b>	
Collection from student activity events	\$ 102,073
<b>Deductions:</b>	
Payments for student activity events	<u>110,577</u>
Change in net position	(8,504)
Net position - beginning of year	<u>161,267</u>
<b>Net position - end of year</b>	<u><u>\$ 152,763</u></u>

The accompanying notes are an integral  
part of these financial statements.

**Hopi Junior/Senior High School**  
**Notes to Financial Statements**  
**Year ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Hopi Junior/Senior High School (the School) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2016, the School implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 established standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements.

**Reporting Entity**

The School is located on the Hopi Reservation in northeastern Arizona and is operated under the authority of the Hopi Junior/Senior High School Governing Board. The board receives its administrative powers from the Hopi Tribal Council under Hopi Tribal Ordinance No. 36 and consists of six voting members who are elected by community members.

The School was established by Hopi Tribal Council Resolution H-11-95 and began operations as a grant school on July 1, 1995. The School was previously operated by the Bureau of Indian Affairs. The School provides an accredited basic education for grades 7-12 and supplementary programs and services to meet identified student needs. In addition, the School operates and maintains a housing complex located on the School's property. The housing is provided for the benefit of the School's employees.

**Government-Wide and Fund Financial Statements**

The *government-wide* statement of net position and statement of activities reports information on all non-fiduciary activities of the School. Eliminations have been made to minimize the double counting of internal activities. The School has no business-type activities.

Governmental activities are financed primarily through operating grants from the U.S. Department of the Interior, Bureau of Indian Education, and the U.S. Department of Education.

## Notes to Financial Statements – Continued

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### **Note 1 – Summary of Significant Accounting Policies – Continued**

The government-wide statement of activities reflects the cost of the School's programs and functions (instruction, supportive services, student transportation, operation and maintenance, and operation of non-instructional services) reduced by directly associated revenues (charges for services and operating grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expense for governmental activities is then adjusted for general revenues to determine the change in net position for the year. Indirect expenses such as support services and administration incurred in the general government and other functions/activities are not allocated to the program/function that they may benefit. When both restricted and unrestricted resources are available for use, it the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

The *fund* financial statements provide information about the School's funds. A combined statement for each fund category is presented. The emphasis of fund financial statements is on major governmental funds displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The School has only one governmental fund.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations. The unassigned fund balance includes all spendable amounts not reported in other classifications.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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 liabilities are incurred, regardless of when the related cash flow takes place. Other receipts become measurable and available when cash is received by the School and are recognized as revenue at that time.

Governmental fund financial statements are reported using the flow of 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 School considers all revenues to be available if the revenues are collected within sixty days of the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund.

## Notes to Financial Statements – Continued

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### **Note 1 – Summary of Significant Accounting Policies - Continued**

The School reports the following major governmental fund:

*Special Revenue Fund* - The special revenue fund accounts for grants and other resources whose use is restricted for a particular purpose.

Additionally, the School reports the following fiduciary fund type:

*Agency Fund* – The agency fund accounts for assets held by the School as an agent for the students; primarily student activities monies.

### **Budgets**

The governing board policy and procedure manual provides that the chief school administrator has the responsibility for preparing an annual budget that is reviewed and approved by the governing board. The governing board retains the right and authority to modify the proposed budget in its entirety or on a line-item basis.

### **Use of Estimates**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### **Net Position**

Net position is classified as follows:

*Net investment in capital assets* represents the School's total investment in capital assets, net of accumulated depreciation and related debt.

*Restricted net position* consists of funds held for scholarships.

*Unrestricted net position* consists of those operating funds over which the School retains full control to use in achieving any of its authorized purposes.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies – Continued**

**Fund Balance Classifications** - Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on 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.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved in a public meeting by the School Board, which is the highest level of decision-making authority within the School. The constraints placed on committed fund balances can only be removed or changed by the School Board in a public meeting.

*Assigned fund balances* are resources constrained by the School's intent to be used for specific purposes, but are neither restricted nor committed. The school board has authorized the chief school administrator to make assignments of resources for a specific purpose.

The *unassigned fund balance* is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Deficits in fund balances of the other governmental funds are also reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the School's policy to use restricted fund balances first. For the disbursement of unrestricted fund balances, the School's policy is to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies – Continued**

#### **Investments**

All investments are stated at fair value. Earnings on investments are comprised of interest, dividends, and net changes in the fair value of applicable investments.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. parking area, sidewalks, and similar items), are reported in the governmental activities in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The estimated useful lives of capital assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-20
Furniture and fixtures	5-7
Computers and software	5
Vehicles	5-10

Depreciation is provided using the straight-line method over estimated useful lives.

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

The School's buildings, facilities and other fixed assets acquired prior to July 1, 1995 are property of the U.S. Department of the Interior, Bureau of Indian Education (BIE). The assets owned by the BIE are provided to the School without rent; however, the School is responsible for the maintenance and repair of the school facilities.

#### **Deferred Outflows/Inflows of Resources**

The statement of net position and balance sheet include separate sections, as appropriate, for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods. During 2016, the deferred inflows of resources relates to facilities maintenance and repairs funds received for specific projects that have not been completed as of the year-end.

## Notes to Financial Statements – Continued

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### **Note 1 - Summary of Significant Accounting Policies – Continued**

#### **Income Taxes**

As a governmental entity, the School is not subject to income taxes.

#### **Compensated Absences**

It is the School's policy to allow employees to accrue vacation and sick pay benefits. There is no liability for unpaid vacation pay since the School does not have to pay any amounts when employees separate service from the School. However, sick pay is accrued at a rate of \$25 per day after an employee has reached three years of service at the School. A liability for the sick pay liability has been reported in the government-wide statements only.

### **Note 2 - Cash and Investments**

#### **Cash**

At June 30, 2016, the carrying amount of the School's deposits was \$567,608 and the bank balance was \$628,772 of which \$159,229 was deposited in U.S. government backed money market funds. The bank balance was covered by federal depository insurance or by collateral held by the School's bank in the School's name. The School's policy for custodial credit risk is to maintain deposits so that they are: (1) covered by the federal depository insurance company; (2) collateralized by the School's bank in the School's name; or (3) held in U.S. government securities or securities back by the U.S. government.

The School was granted a donation to be used for scholarships for graduates of the high school to attend either a two-year or four-year college or university. As of June 30, 2016, the investment is being held in a certificate of deposit reported as restricted cash.

#### **Investments**

The School reports investments at fair value which consist of U.S. Treasury notes.

**Notes to Financial Statements – Continued**

**Note 2 - Cash and Investments – Continued**

The School’s investments at June 30, 2016, categorized within the fair value hierarchy established by generally accepted accounting principles, are as follows:

<u>Investment Type</u>	<u>Fair value measurement using</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant Unobservable inputs (Level 3)</u>
U.S. Treasury Notes	\$ -	\$ 1,861,601	\$ -

Investments categorized as Level 2 are valued using a broker quote in a nonactive market for those investments.

**Concentration of Credit Risk:** At June 30, 2016, the School’s investments subject to credit risk consisted of U.S. Agency and government backed securities.

**Credit Risk:** The School’s primary investment objective is safety. The School seeks to achieve safety through adherence to permitted investments which are backed by the full faith and credit of, or a guarantee of principal and interest by the U.S. Government or a government agency or are issued by a government-sponsored agency, coupled with an appropriate maturity date.

**Interest Rate Risk:** Interest rate risk is the risk that an investment’s value will change due to a change in interest rates. The School does not have a formal policy regarding interest rate risk. The School’s investment objective is to achieve the highest yield for the permitted types of investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Treasury Notes	\$ 1,861,601	\$ 1,785,146	\$ 76,455

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the School will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. At June 30, 2016, the School’s investments were uninsured and unregistered and held by the counterparty or by its trust department or agent in the School’s name.

## Notes to Financial Statements – Continued

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### **Note 3 - Intergovernmental Receivables**

Intergovernmental receivables at June 30, 2016, consist of amounts due from the Bureau of Indian Education.

ISEP (A/R 95-96)	\$	863
Bureau of Indian Education		<u>483</u>
Total intergovernmental receivables	\$	<u><u>1,346</u></u>

### **Note 4 – Contingencies**

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 amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

### **Note 5 – Commitments**

#### **Operating Lease**

The School has agreements with the U. S. General Services Administration for school bus and vehicle rental. These agreements are month-to-month and are cancellable at the School's discretion. Rental expense for the year ended June 30, 2016 was \$677,069.

**Notes to Financial Statements – Continued**

**Note 6 – Capital Assets**

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

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2016</u>
<b><i>Capital assets being depreciated:</i></b>				
Furniture and fixtures	\$ 469,622	\$ 170,195	\$ -	\$ 639,817
Computers and software	316,040	-	-	316,040
Vehicles	864,473	-	-	864,473
Buildings	328,341	-	-	328,341
Building improvements	<u>13,189,133</u>	<u>313,563</u>	<u>-</u>	<u>13,502,696</u>
Total assets being depreciated	15,167,609	483,758	-	15,651,367
Less accumulated depreciation for:				
Furniture and fixtures	( 445,590)	( 42,833)	-	( 488,423)
Computers	( 250,540)	( 49,596)	-	( 300,136)
Vehicles	( 789,766)	( 21,524)	-	( 811,290)
Building	( 205,728)	( 22,180)	-	( 227,908)
Building improvements	<u>( 3,981,407)</u>	<u>( 654,721)</u>	<u>-</u>	<u>( 4,636,128)</u>
Total accumulated depreciation	( 5,673,031)	( 790,854)	-	( 6,463,885)
Capital assets being depreciated, net	<u>\$ 9,494,578</u>	<u>\$ ( 307,096)</u>	<u>\$ -</u>	<u>\$ 9,187,482</u>

Depreciation expense was charged to functions as follows:

<b><i>Governmental activities:</i></b>	
Supportive services	\$ 293,039
Basic education	79,271
Facilities	375,878
Instructional training	29,914
Special education	10,132
Transportation	<u>2,620</u>
Total depreciation expense	<u>\$ 790,854</u>

## Notes to Financial Statements – Continued

### **Note 7 – Long-Term Liabilities**

**Capital lease** – The School leases seven copiers under non-cancelable agreements expiring September 2021. The assets and liabilities under capital leases are recorded at the lower of present value of minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated useful lives. Amortization of the related capital assets is reported as a component of depreciation expense.

The following schedule details debt service requirements to maturity for the School’s capital lease payable at June 30, 2016:

	<b>Year Ending June 30,</b>	<b>Amount</b>
	2017	\$ 47,425
	2018	47,425
	2019	47,425
	2020	47,425
	2021	11,856
Total minimum lease payments		201,556
Less: amount representing interest		50,025
Present value of net minimum lease payments		\$ 151,531

The following is a summary of the property held under capital lease as of June 30, 2016:

Copiers	\$ 170,195
Less: accumulated amortization	28,366
Total capital lease, net	\$ 141,829

### **Note 8 - Changes in Noncurrent Liabilities**

Noncurrent liabilities activity for the year ended June 30, 2016 follows:

	<b>Balance at July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2016</b>	<b>Current Portion</b>
Capital lease obligations	\$ -	\$ 170,195	\$( 18,664)	\$ 151,531	\$ 47,425
Compensated absences	65,575	28,400	( 30,075)	63,900	-
	\$ 65,575	\$ 198,595	\$( 48,739)	\$ 215,431	\$ 47,425

## Notes to Financial Statements – Continued

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### **Note 9 - Retirement Plan**

The School has a 401(a) defined contribution pension plan covering all of its eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. An employee becomes eligible to participate in the plan on the first day of each quarter of the plan year immediately following the later of the first day of employment or attainment of age 21. Employees may contribute up to 20% of their eligible salary.

For the year ended June 30, 2016, the School matched 100% of the first three percent contributed by employees, and 50% of the next 2% of employee contributions. The School's total eligible payroll for the year ended June 30, 2016, was \$6,076,732. The School's contributions to the plan were \$106,400 and the employees' contributions were \$164,816 during the year.

### **Note 10 - Risk Management**

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 11 - Expenditures in Excess of Appropriations**

For the year ended June 30, 2016, expenditures exceeded appropriations in the special revenue fund type for the following programs:

ISEP Basic	\$ 65,746
Facilities	289,707
Child Nutrition	99,305
Career Counseling	95,691

Overall the total expenditures were 5% less than budgeted. However, expenditures of four departments as listed above exceeded their budgeted amounts. The School funded the excess expenditures using carryover funds from prior years and available current year funding that was not fully expended for other programs.

### **Note 12 – Commitments**

On June 20, 2016, the School entered into an agreement regarding the education needs of a special needs student. The School agreed to provide tuition assistance for the next four years and compensation for relocation costs. For the year ended June 30, 2016, the School incurred \$77,000 in expenses in relation to the settlement. As of June 30, 2016, the School is committed to expend up to \$25,000 for yearly tuition assistance for the next three school years.

## **Supplemental Information**

**Hopi Junior/Senior High School**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	School Code	CFDA Number	Grant/ Contract Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Arizona Department of Education:</b>				
Child Nutrition Cluster:				
School Breakfast Program	(7)	10.553	09-91-03-000	\$ 51,915
National School Lunch Program	(7)	10.555	09-91-03-000	<u>169,177</u>
Total U.S. Department of Agriculture				221,092
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
Indian School Equalization Program	(1)	15.042	N/A	5,013,143
Administrative Cost Grant for Indian Schools	(2)	15.046	N/A	1,088,810
Indian Schools Student Transportation	(3)	15.044	N/A	1,505,160
Indian Education Facilities, Operations and Maintenance	(10)	15.047	N/A	1,309,789
Education Program Enhancements	(17)	15.151	N/A	<u>135,643</u>
Total U.S. Department of the Interior				9,052,545
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Special Education - Grants to States (IDEA, Part B)	(4)	84.027	N/A	1,014,890
Title I Grant to Local Education Agencies (Title I, Part A of the ESEA)	(5)	84.010	N/A	1,324,200
Teacher Quality Partnership Grants	(8)	84.336	N/A	158,400
Rural Education	(11)	84.358	N/A	<u>6,940</u>
Total U.S. Department of Education				<u>2,504,430</u>
<b>Total expenditures of federal awards</b>				<u><u>\$ 11,778,067</u></u>

See the accompanying notes to this schedule.

**Hopi Junior/Senior High School**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2016**

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**Note 1 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards (schedule) includes Hopi Junior/Senior High School's federal grant activity for the year ended June 30, 2016. The information in this schedule is presented in accordance with the 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 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers**

The CFDA program titles and numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*.

## **Single Audit Reports**

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

The Honorable Members of the Governing Board  
Hopi Junior/Senior High School  
Keams Canyon, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund and the aggregate remaining fund information of Hopi Junior/Senior High School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hopi Junior/Senior High School's basic financial statements, and have issued our report thereon dated November 14, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hopi Junior/Senior High School'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hopi Junior/Senior High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Hopi Junior/Senior High School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described as item 2016-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hopi Junior/Senior High School's basic 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*.

## **Hopi Junior/Senior High School's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Wahne & Armstrong, LLP*

Phoenix, Arizona  
November 14, 2016

**Independent Auditor's Report on Compliance for Each Major Program and  
on Internal Control over Compliance Required by the Uniform Guidance**

The Honorable Members of the Governing Board  
Hopi Junior/Senior High School  
Keams Canyon, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Hopi Junior/Senior High School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hopi Junior/Senior High School's major federal programs for the year ended June 30, 2016. Hopi Junior/Senior High School's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Hopi Junior/Senior High School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hopi Junior/Senior High School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hopi Junior/Senior High School's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Hopi Junior/Senior High School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

Management of Hopi Junior/Senior High School 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 Hopi Junior/Senior High School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hopi Junior/Senior High School'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.

*Wachen & Armstrong, LLP*

Phoenix, Arizona  
November 14, 2016

**Hopi Junior/Senior High School  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016**

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**A. Summary of Audit Results**

***Financial Statements***

Type of auditor's report issued:	<b>Unmodified</b>	
	<b>Yes</b>	<b>No</b>
Internal control over financial reporting:		
Material weaknesses identified?		<b>X</b>
Significant deficiency identified?	<b>X</b>	
Noncompliance material to the financial statements noted?		<b>X</b>

***Federal Awards***

Internal control over major programs:		
Material weaknesses identified?		<b>X</b>
Significant deficiencies identified?	<b>None reported</b>	
Type of auditor's report issued on compliance for major programs:	<b>Unmodified</b>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		<b>X</b>

***Identification of Major Programs:***

<b>CFDA No.</b>	<b>Name of Federal Program</b>
15.047	Indian Education Facilities, Operations and Maintenance
84.010	Title I Grant to Local Education Agencies (Title I, Part A of the ESEA)

Dollar threshold used to distinguish between type A and B programs:	<b>\$ 750,000</b>
Auditee qualified as a low risk auditee?	<b>X</b>

***Other Matters***

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?	<b>X</b>
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**Hopi Junior/Senior High School**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2016**

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**B. Financial Statement Findings:**

**2016-001 – Improve Internal Controls over Accrued Liabilities**

As of June 30, 2016 accrued payroll was understated resulting in the need for an adjustment to properly report the balance as of the year-end. In addition, there was an instance identified in which the School did not record a vendor invoice for services performed prior to June 30, 2016 that was not paid until July 2016.

We recommend that the School implement a process for the accrual of the year-end payroll calculated based on the number of payroll days occurring during the month of June versus those days occurring in July. Further, we recommend evaluating invoices received after year-end as to whether the goods or services were provided or incurred as of the year-end and accrue the expenditures when applicable.

**Management's Response:**

***Payroll Accruals:***

The School has implemented a present and future process for all payroll accruals at year-end due to calculations based on the number of payroll days occurring during the months of June as opposed to July of every fiscal year.

***Accounts Payable:***

The School has implemented a process for recording accounts payable at each fiscal year-end. The Accounts Payable Technician along with the assistance of the Business Manager will be scrutinizing the year-end accounts payable by evaluating the invoices received after the end of the fiscal year. This evaluation process will determine whether the goods or services were provided or incurred as of the year-end and accrue the expenditures when applicable.

**C. Federal Award Findings:**           None