

Hopi Junior/Senior High School

**Basic Financial Statements
and Single Audit Reports**

Year ended June 30, 2014

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-11
Basic Financial Statements	
Statement of Net Position.....	12
Statement of Activities	13
Balance Sheet – Governmental Fund	14
Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Fund	15
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Fund to the Statement of Activities	16
Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - Governmental Fund	17
Statement of Fiduciary Net Position – Fiduciary Fund	18
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	19
Notes to Financial Statements	20-28
Supplemental Information	
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Single Audit Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	33-34
Schedule of Findings and Questioned Costs	35

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 of Hopi Junior/Senior High School as of and for the year ended June 30, 2014, 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 U.S. generally accepted auditing standards 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 each major fund of Hopi Junior/Senior High School as of June 30, 2014, 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 and analysis on pages 4 through 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 U.S. generally accepted auditing standards, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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. The 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 11, 2014, 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.

Walker & Armstrong, LLP

Phoenix, Arizona
November 11, 2014

Management's Discussion and Analysis

**Hopi Junior/Senior High School
Management's Discussion and Analysis
Year ended June 30, 2014**

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, 2014. 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 \$10,052,836 (net position).
- As of the close of the current fiscal year, the School's governmental funds reported an ending fund balance of \$(5,240).
- The School's unrestricted cash balance at June 30, 2014 was \$363,042 representing a decrease of \$186,488 from June 30, 2013.
- The School had intergovernmental revenues of \$10,676,754, rental and other income of \$104,913 and program expenditures of \$11,282,134 for the year ended June 30, 2014.
- The School's capital outlays for the year ended June 30, 2014 were \$103,217.

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.

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.

**Hopi Junior/Senior High School
Management's Discussion and Analysis - Continued
Year ended June 30, 2014**

Overview of the Financial Statements - Continued

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, 2014**

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 28 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 Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards can be found on page 29 of this report.

**Hopi Junior/Senior High School
Management's Discussion and Analysis - Continued
Year ended June 30, 2014**

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 \$10,052,836 at the close of the most recent fiscal year.

The largest portion of the School's non deficit net position (98 percent) reflects its net investment in capital assets. The unrestricted net position of the School is a deficit which reflects grant expenses greater than revenues in the current reporting period.

**Net Position – Governmental Activities
June 30, 2014 and 2013**

	2014	2013
Assets:		
Current and other assets	\$ 635,988	\$ 942,339
Capital assets	10,129,526	10,923,747
Total assets	10,765,514	11,866,086
Liabilities:		
Current	431,261	226,889
Non-current	71,450	67,200
Total liabilities	502,711	294,089
Deferred Inflows of Resources:		
Unearned facilities grant revenue	209,967	220,223
Total deferred inflows of resources	209,967	220,223
Net Position:		
Net investment in capital assets	10,129,526	10,923,747
Restricted for scholarships	240,276	240,109
Unrestricted (deficit)	(316,966)	187,918
Total net position	\$ 10,052,836	\$ 11,351,774

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, 2014**

Government-Wide Financial Analysis - Continued

The following reports the School's expenses by function:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Basic education	\$ 6,237,070	\$ 6,197,865
Special education	1,237,044	1,331,252
Student transportation	1,240,485	1,436,579
Facilities	1,680,638	1,740,270
Supportive services	1,131,330	1,029,482
Child nutrition	246,536	236,065
Career counseling	92,568	100,666
Remedial education	132,167	181,010
Instructional training	82,768	80,708
Total governmental activities expenses by function	<u>\$ 12,080,606</u>	<u>\$ 12,333,897</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 \$(5,240). The School's two major sources of revenues are intergovernmental grant revenues of \$10,676,754 and rental income of \$95,158. The fund balance primarily represents the accumulation of intergovernmental revenues in excess of expenditures. A portion of fund balance is restricted for scholarships using School resources for future school 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 \$360,024 less revenue and \$269,755 more expenditures than budgeted.

**Hopi Junior/Senior High School
Management's Discussion and Analysis - Continued
Year ended June 30, 2014**

Special Revenue Fund Budgetary Analysis – Continued

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

- **Intergovernmental revenue** of \$10,676,754 was \$367,187 (3%) less than budgeted due to the weighted student unit and the student counts based on the three year rolling average was less than expected.
- **Basic education** expenditures of \$6,126,240 were \$914,630 greater than budgeted due to the continued improvements in the teaching and learning for students most at risk of failing to meet State Academic Achievement Standards. The school continued its investment in the Common Core State Requirements for Reading and Science teachers. Professional development has been continuously the priority for our staff on CCSS. Curriculum upgrades and the School continue efforts to maintain or cut costs.
- **Student transportation** expenditures of \$1,237,865 were \$126,085 less than budgeted due to personnel changes and continued equipment reductions to the General Service Administration.
- **Facilities** expenditures of \$1,340,284 were \$509,766 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 \$1,225,946 were \$359,168 less than budgeted due to additional Individualized Disabilities Education Act (IDEA) funding that assisted in the capital outlay purchases of classroom computers for students in their Special Education classrooms. Vacancies were also not filled due to applicants not meeting the minimum requirements for the teacher and teacher aide positions.
- **Supportive services** expenditures totaling \$829,860 were \$390,740 less than budgeted due to capital outlay expenditure and other purchase services expenditures originally budgeted for supportive services were charged to the ISEP and Title II-A Professional Development.
- **Instructional training** expenditures of \$50,668 were \$111,232 less than budgeted because expenditures were funded by other programs, which includes the Special Education and Title II-A Professional Development.
- **Remedial education** expenditures of \$132,167 were \$151,633 less than budgeted because the capital outlay expenses and other personnel services along with Staff Training were charged to other programs within the school.

**Hopi Junior/Senior High School
Management's Discussion and Analysis - Continued
Year ended June 30, 2014**

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the School's investment in capital assets for its governmental activities was \$10,129,526 (net of accumulated depreciation). 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 \$103,217 which were primarily used for upgrades to the classrooms Samsung Tablets, mobile labs for student's 7-12 grades and Internet Infrastructure that was needed at the school. Additional information on the School's capital assets can be found in note 7 on page 26 of this report. Outlays of \$93,649 did not meet the capitalization threshold.

Long-term Debt

As of June 30, 2014, the School had total outstanding debt of \$71,450 which consisted entirely of compensated absences payable to the School's employees.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the School's budget for the 2015 fiscal year:

- A limitation of 15% of grant revenues is applicable to administrative and planning expenditures.
- A sequester by the Federal Government placed a limitation of 6% funding request for all programs across the board, which is still in effect for all of the Bureau funded schools in the Bureau of Indian Education.
- The School does not expect any significant change in the student population for 2015 and expects the weighted-student units to remain consistent with 2014.

Future Events that will Financially Impact the School

For School Year 2015-2016, Hopi Junior Senior High School will be planning and implementing an RtI Program that aligns with the standard models. To achieve this, training the trainer will need to be done during the summer months of 2015 along with written policy of the RtI manual. Prior to the beginning of school year 2015-2016, staff members will need to be trained in the use of the manual and how to designate which level each students are on the RtI pyramid. Additionally, Hopi Junior Senior High School will also be implementing the AVID model for career and college readiness. Again, to put this model into action, training will need to be conducted during the summer of 2015 to include the Professional Development in education's best practices that are researched based.

**Hopi Junior/Senior High School
Management's Discussion and Analysis - Continued
Year ended June 30, 2014**

Future Events that will Financially Impact the School - Continued

Development of an evaluation system will be part of the activities for school year 2015-2016. Through selection of a model and ongoing professional development, this vital component of the structure could be achieved.

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, 2014

	Governmental Activities
Assets	
Cash and cash equivalents, unrestricted	\$ 363,042
Investments, restricted	240,276
Intergovernmental receivables	32,670
Capital assets (net of accumulated depreciation)	10,129,526
Total assets	10,765,514
Liabilities	
Accounts payable	78,780
Accrued liabilities	68,589
Unearned revenue	275,598
Due to other funds	8,294
Noncurrent liabilities:	
Due in more than one year	71,450
Total liabilities	502,711
Deferred Inflows of Resources:	
Unearned facilities grant revenues	209,967
Total deferred inflows of resources	209,967
Net Position	
Net investment in capital assets	10,129,526
Restricted for scholarships	240,276
Unrestricted (deficit)	(316,966)
Total net position	\$ 10,052,836

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

Hopi Junior/Senior High School
Statement of Activities
Year ended June 30, 2014

<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>
Governmental activities:			
Basic education	\$ 6,237,070	\$ 5,287,550	\$ (949,520)
Special education	1,237,044	1,585,113	348,069
Student transportation	1,240,485	1,363,950	123,465
Facilities	1,680,638	850,127	(830,511)
Supportive services	1,131,330	795,601	(335,729)
Child nutrition	246,536	214,197	(32,339)
Career counseling	92,568	127,387	34,819
Remedial education	132,167	283,799	151,632
Instructional training	82,768	169,030	86,262
Total governmental activities	<u>\$ 12,080,606</u>	<u>\$ 10,676,754</u>	(1,403,852)
General revenues:			
Rent			95,158
Other			<u>9,756</u>
Change in net position			(1,298,938)
Net position - beginning of year			<u>11,351,774</u>
Net position - end of year			<u>\$ 10,052,836</u>

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

**Hopi Junior/Senior High School
Balance Sheet
Governmental Fund
June 30, 2014**

	Special Revenue
Assets	
Cash and cash equivalents, unrestricted	\$ 363,042
Investments	-
Investments, restricted	240,276
Intergovernmental receivables	32,670
Total assets	\$ 635,988
Liabilities	
Accounts payable	\$ 78,780
Accrued liabilities	68,589
Unearned revenue	275,598
Due to other funds	8,294
Total liabilities	431,261
Deferred Inflows of Resources	
Unearned facilities grant revenues	209,967
Total deferred inflows of resources	209,967
Fund Balances	
Restricted for scholarships	240,276
Unrestricted (deficit)	(245,516)
Total fund balance	(5,240)
Total liabilities, deferred inflows of resources, and fund balances	\$ 635,988
Reconciliation of fund balance to total net position:	
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance	\$ (5,240)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	10,129,526
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the fund financial statements.	(71,450)
Net position of governmental activities (page 12)	\$ 10,052,836

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, 2014**

	Special Revenue
Revenues	
Intergovernmental	\$ 10,676,754
Rental	95,158
Other	9,755
Total revenues	10,781,667
Expenditures	
<i>Current</i>	
Basic education	6,054,556
Student transportation	1,237,865
Facilities	1,328,456
Special education	1,209,294
Supportive services	827,846
Child nutrition	246,536
Career counseling	92,568
Instructional training	50,668
Remedial education	131,128
<i>Capital outlay</i>	103,217
Total expenditures	11,282,134
Net change in fund balance	(500,467)
Fund balance, at beginning of year	495,227
Fund balance, at end of year	\$ (5,240)

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, 2014**

**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:

Net change in fund balance (page 15) \$ (500,467)

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 (4,250)

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.
This is the amount by which depreciation exceeded capital outlays
during the current period. (794,221)

Change in net position (page 13) \$ (1,298,938)

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, 2014

	<u>Special Revenue</u>			Variance Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues				
Intergovernmental	\$ 9,824,968	\$ 11,043,941	\$ 10,676,754	\$ (367,187)
Rental	97,750	97,750	95,158	(2,592)
Other	-	-	9,755	9,755
Total revenues	9,922,718	11,141,691	10,781,667	(360,024)
Expenditures				
Current				
Basic education	4,697,066	5,211,610	6,126,240	(914,630)
Student transportation	1,203,430	1,363,950	1,237,865	126,085
Facilities	830,518	830,518	1,340,284	(509,766)
Special education	1,308,826	1,585,114	1,225,946	359,168
Supportive services	1,147,585	1,220,600	829,860	390,740
Child nutrition	183,600	220,000	246,536	(26,536)
Career counseling	113,463	127,387	92,568	34,819
Instructional training	147,390	161,900	50,668	111,232
Remedial education	283,340	283,800	132,167	151,633
Alcohol and substance abuse education	7,500	7,500	-	7,500
Total expenditures	9,922,718	11,012,379	11,282,134	(269,755)
Net change in fund balance	<u>\$ -</u>	<u>\$ 129,312</u>	<u>\$ (500,467)</u>	<u>\$ (629,779)</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, 2014**

	<u>Agency</u>
Assets	
Cash and cash equivalents	\$ 137,876
Due from other funds	<u>8,294</u>
Total assets	<u>\$ 146,170</u>
Net Position	
Funds held for others	<u>\$ 146,170</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, 2014

	<u>Agency</u>
Additions:	
Collection from student activity events	\$ 124,709
Deductions:	
Payments for student activity events	<u>117,417</u>
Change in net position	7,292
Net position - beginning of year	<u>138,878</u>
Net position - end of year	<u><u>\$ 146,170</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, 2014

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, 2014, the School implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues or expenses.

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

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

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, represent the School's total investment in capital assets, net of accumulated depreciation.

Restricted net position consist of funds held for scholarships.

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

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

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>
Building 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.

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.

Notes to Financial Statements – Continued

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 – Reconciliation of Government-wide and Fund Financial Statements

An explanation of certain differences between the governmental fund statement of revenues, expenditures, and change in fund balance and the government-wide statement of activities is as follows:

The governmental fund statement of revenues, expenditures, and change in fund balance includes reconciliation between *net change in fund balance* and *change in net position* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this \$794,221 difference are as follows:

Capital outlays for capitalized items	\$ 9,568
Depreciation expense	(803,789)
	<hr/>
Net adjustment to decrease <i>net change in fund balance</i> to arrive at <i>change in net position</i>	<u><u>\$ (794,221)</u></u>

Note 3 - Cash and Investments

Unrestricted Cash

At June 30, 2014, the carrying amount of the School's deposits was \$363,042 and the bank balance was \$517,861 of which \$237,624 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.

Notes to Financial Statements – Continued

Note 3 - Cash and Investments - Continued

Investments

Concentration of Credit Risk: At June 30, 2014, all of the School's investments consisted of U.S. Agency or government backed securities.

Credit Risk: The School's primary investment objective is safety. The School will seek to achieve safety through adherence to permitted investments which are backed by 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: Once safety is attained, the School's secondary object is optimum return on the investment consistent with the School's cash management goals. The School will strive to achieve the highest yield.

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, 2014, all of 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.

Restricted Investment

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, 2014, the investment consisted of a certificate of deposit.

Note 4 - Intergovernmental Receivables

Intergovernmental receivables at June 30, 2014, consist of amounts due from the Bureau of Indian Education.

Note 5 – 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.

Notes to Financial Statements – Continued

Note 6 – 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, 2014 was \$537,164.

Note 7 – Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Additions	Retirements	Balance at June 30, 2014
<i>Capital assets being depreciated:</i>				
Furniture and fixtures	\$ 460,054	\$ 9,568	\$ -	\$ 469,622
Computers and software	316,040	-	-	316,040
Vehicles	864,473	-	-	864,473
Buildings	328,341	-	-	328,341
Building improvements	13,066,502	-	-	13,066,502
Total assets being depreciated	15,035,410	9,568	-	15,044,978
Less accumulated depreciation for:				
Furniture and fixtures	(308,607)	(67,808)	-	(376,415)
Computers	(151,348)	(49,596)	-	(200,944)
Vehicles	(746,718)	(21,524)	-	(768,242)
Building	(152,250)	(26,739)	-	(178,989)
Building improvements	(2,752,740)	(638,122)	-	(3,390,862)
Total accumulated depreciation	(4,111,663)	(803,789)	-	(4,915,452)
Capital assets being depreciated, net	\$ 10,923,747	\$ (794,221)	\$ -	\$ 10,129,526

Depreciation expense was charged to functions as follows:

Governmental activities:

Supportive services	\$ 301,470
Basic education	106,579
Facilities	349,922
Instructional training	32,100
Special education	11,098
Transportation	2,620
Total depreciation expense	\$ 803,789

Notes to Financial Statements – Continued

Note 8 - Changes in Noncurrent Liabilities

Noncurrent liabilities activity for the year ended June 30, 2014 follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Compensated absences	\$ 67,200	\$ 29,925	\$(25,675)	\$ 71,450

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, 2014, 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, 2014, was \$6,807,199. The School's contributions to the plan were \$115,300 and the employees' contributions were \$201,677 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, 2014, expenditures exceeded appropriations in the special revenue fund type for the following programs:

Basic education	\$ 914,630
Facilities	509,766
Child nutrition	26,536

Notes to Financial Statements – Continued

Note 11 - Expenditures in Excess of Appropriations - Continued

The excess expenditures resulted from the sequester that occurred over the summer of 2013. Basic education funding was reduced by 15% after the budget was approved. Further, Facilities experienced an additional 50% reduction in funding as a result of the sequester. The child nutrition program has been experiencing difficulties with rising food costs and state reimbursements. As a result, child nutrition expenditures were over-expended by approximately 12%.

Supplemental Information

Hopi Junior/Senior High School
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	School Code	CFDA Number	Grant/ Contract Number	Expenditures
U.S. DEPARTMENT OF THE INTERIOR				
Indian School Equalization Program	(1)	15.042	GTH65X62507	\$ 4,849,171
Indian Child and Family Education		15.043	GTH65X62507	21,990
Administrative Cost Grant for Indian Schools	(2)	15.046	GTH65X62507	795,600
Indian Schools Student Transportation	(3)	15.044	GTH65X62507	1,363,950
Indian Education Facilities, Operations and Maintenance	(10)	15.047	GTH65X62507	<u>850,125</u>
Total U.S. Department of the Interior				7,880,836
U.S. DEPARTMENT OF EDUCATION				
Special Education - Grants to States (IDEA, Part B)	(4)	84.027	GTH65X62507	913,314
ESEA Title I/Part A	(5)	84.010	GTH65X62507	1,326,400
Title VII	(6)	84.060A	S060A101324	127,387
Teacher Quality Partnership Grants	(8)	84.336	GTH65X62507	<u>161,900</u>
Total U.S. Department of Education				2,529,001
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Arizona Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	(7)	10.553	09-91-03-000	50,952
National School Lunch Program	(7)	10.555	09-91-03-000	<u>163,245</u>
Total U.S. Department of Agriculture				<u>214,197</u>
Total expenditures of federal awards				<u>\$ 10,624,034</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, 2014

Note 1 - Basis of Accounting

The schedule of expenditures of federal awards is presented on the modified accrual basis of accounting. Amounts presented on the schedule are recorded in the special revenue fund type. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA program titles and numbers were obtained from the federal or pass-through grantor or the 2014 *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 U.S. generally accepted auditing standards 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 of Hopi Junior/Senior High School, as of and for the year ended June 30, 2014, 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 11, 2014.

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. 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 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*.

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.

Walker & Armstrong, LLP

Phoenix, Arizona
November 11, 2014



3838 North Central Avenue
Suite 1700
Phoenix, Arizona 85012
602.230.1040
602.230.1065 (Fax)

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by OMB Circular A-133**

www.wa-cpas.com

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 Circular A-133 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, 2014. 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 laws, regulations, contracts, and grants 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 U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Walker & Armstrong, LLP

Phoenix, Arizona
November 11, 2014

**Hopi Junior/Senior High School
Schedule of Findings and Questioned Costs
Year ended June 30, 2014**

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unqualified	
	Yes	No
Internal control over financial reporting:		
Material weakness(es) identified?		X
Significant deficiencies identified?	None reported	
Noncompliance material to the financial statements noted?		X

Federal Awards

Internal control over major programs:		
Material weaknesses identified?		X
Significant deficiencies identified?	None reported	
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?		X

Identification of major programs:

CFDA No.	Name of Federal Program
15.042	Indian School Equalization Program
15.048	Indian School Equalization Program
84.010	ESEA Title I/Part A
84.060A	Title VII

Dollar threshold used to distinguish between type A and B programs:	\$ 318,721
Auditee qualified as a low risk auditee?	X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	X
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B. Financial Statement Findings: None

C. Federal Award Findings: None