

Pinon Community School Board, Inc.



Single Audit Reporting Package
Year Ended June 30, 2021

Table of Contents

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	4
BASIC FINANCIAL STATEMENTS	11
GOVERNMENT-WIDE FINANCIAL STATEMENTS	12
STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES	14
FUND FINANCIAL STATEMENTS	15
BALANCE SHEET – GOVERNMENTAL FUNDS	16
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	20
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS ...	21
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS.....	22
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS	23
NOTES TO FINANCIAL STATEMENTS	24
SINGLE AUDIT SECTION	34
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	35
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	37
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	40
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	41
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	42
SUMMARY OF PRIOR AUDIT FINDINGS.....	43



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pinon Community School Board, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pinon Community School Board, Inc. (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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. statements as a whole.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the school as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof 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 5-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 also not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2022, on our consideration of the 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 the school's internal control over financial reporting and compliance.

McCabe CPA Group, LLC

Albuquerque, New Mexico

March 30, 2022

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

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021

As management of the Pinon Community School Board, Inc. (School), we offer readers of the school's financial statements this narrative overview and analysis of the financial activities of the school for the fiscal year ended June 30, 2021. The management's discussion and analysis are presented as required supplementary information to supplement the basic financial statements.

FINANCIAL HIGHLIGHTS

- The school's total net position of governmental activities increased \$2,692,404 which represents an increase from the prior fiscal year as a result of additional funding and COVID-19 related Cares Act funding.
- General revenues accounted for \$1,212 in revenue. Program specific revenue in the form of charges for services and grants and contributions accounted for \$6 million or nearly 100 percent of total current fiscal year revenues.
- The school had approximately \$3.3 million in expenses related to governmental activities, which represents a slight decrease from the prior fiscal year as result of decrease in Administration and governing board and residential.
- Among major funds, the General Fund had \$5.7 million in current fiscal year revenues, which primarily consisted of federal grants, and \$3.1 million in expenditures. The General Fund's fund balance increased from \$ 885,112 at the prior fiscal year end to \$ 3,530,406 at the end of the current fiscal year was primarily due to additional funding received in the current fiscal year.
- Net position for the Internal Service Fund increased by \$ 70,660 from prior fiscal year primarily due to decrease in claims. Operating revenues of \$257,110 was at a surplus to operating expenses of \$187,662 at the end of the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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 accrual basis of accounting is used for the government-wide financial statements.

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

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021

OVERVIEW OF FINANCIAL STATEMENTS

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., earned but unused compensated absences).

The government-wide financial statements outline functions of the school that are principally supported by intergovernmental revenues. The governmental activities of the school include education, administration, and governing board, residential, and facilities, operations, and maintenance.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the school can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the school, assets exceeded liabilities by \$1,235,898 at the current fiscal year end.

A portion of the school's net position reflects its investment in capital assets (e.g., vehicles, machinery, and equipment), less any related outstanding debt used to acquire those assets. The school uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. The school had no related debt. The remaining balance is unrestricted and may be used to meet the school's ongoing obligations to its citizens and creditors.

The following table presents a summary of the school's net position for the fiscal year ended June 30, 2021, and June 30, 2020:

	As of June 30, 2021	As of June 30, 2020
Assets		
Current and other assets	\$ 3,872,288	\$ 1,230,463
Capital assets, net	148,987	169,284
Total assets	4,021,275	1,399,747
Liabilities		
Current and other liabilities	\$ 88,003	\$ 159,694
Long-term liabilities	4,969	4,156
Total liabilities	92,972	163,850
Net position		
Invest in capital assets	148,987	169,284
Unrestricted	3,779,316	1,066,613
Total net position	\$ 3,928,303	\$ 1,235,897

At the end of the current fiscal year the school reported positive balances in both categories of net position.

The school's financial position is the product of several financial transactions including the net result of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following is a significant current year transaction that has had an impact on the Statement of Net Position.

- The increase of \$3,033,847 in cash and investments due to additional funding allocation.
- The decrease of \$387,933 in due from governmental entities due to current period funding allocation distribution.

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021

Changes in net position. The school’s total revenues for the current fiscal year were \$6 million. The total cost of all programs and services was \$3.3 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2021, and June 30, 2020.

	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Revenues:		
Program revenues:		
Charges for services	\$ 61,235	\$ 52,836
Operating Grants and contributions	5,950,574	3,973,694
General revenues:		
Investment income	1,212	2,113
Plan recoveries	-	17,585
Total revenues	6,013,021	4,046,228
Expenses:		
Education	1,488,931	1,105,706
Administration and governing board	464,523	755,638
Residential	31,806	445,808
Facilities, operation and maintenance	844,961	814,192
Transportation	293,560	337,522
COVID-19 Related	196,834	-
Total expenses	3,320,615	3,458,866
Change in net position	2,692,406	587,362
Net position, beginning	1,235,897	648,535
Net position, ending	\$ 3,928,303	\$ 1,235,897



The following are significant current year transactions that have had an impact on the change in net position.

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021

- The increase of \$2 million in operating grants and contributions was due to additional federal funding allocations.
- The increase of \$ 291,115, in Administration and governing board and \$414,002 in Residential on expenses was due to school’s operation affected by pandemic.

The following table presents the cost of the school’s major functional activities. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs).

	<u>Year Ended 6/30/21</u>		<u>Year Ended 6/30/20</u>	
	<u>Total</u>	<u>Net</u>	<u>Total</u>	<u>Net</u>
Education	1,488,931	255,888	1,105,706	166,288
Administration and governing board	464,523	51,007	755,638	237,157
Residential	31,806	20,709	445,808	21,109
Facilities, operation and maintenance	844,961	497,089	814,192	163,876
Transportation	293,560	48,904	337,522	(20,766)
COVID-19 Related	196,834	1,817,596	-	-
Total	3,320,615	2,691,193	3,458,866	567,665

- The cost of all governmental activities this year was \$3.1 million
- The federal government and charges for services subsidized certain programs with grants and contributions and other local revenues of \$61,236.

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

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

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

The financial performance of the school as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a combined fund balance of \$ 3,530,406, an increase of \$2,645,294 primarily due to additional funding allocations.

The General Fund comprise all of the total fund balance. All of the General Fund’s fund balance is unassigned.

The General Fund is the principal operating fund of the school. The increase in fund balance from \$885,112 to \$3,530,406 as of fiscal year end was a result of additional funding allocations. General Fund revenues increased by \$2,019,219. This was a result of increase of federal funding allocation. General Fund expenditures decreased by \$311,920. This was a result of school’s operation affected by pandemic.

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021

Proprietary funds. Unrestricted net position of the Internal Service Fund at the end of the fiscal year amounted to \$268,787. This represents an increase of \$70,660 from the prior fiscal year primarily due to decreased contributions and administrative fees compared to prior year.

CAPITAL ASSETS

At year end, the school had invested \$148,987 in capital assets, including building improvements, buses and other vehicles, computers, and other equipment. This amount represents a net decrease of \$20,297 from the prior fiscal year. Total depreciation expense for the current fiscal year was \$20,297. The net capital asset balance was \$148,987 on June 30, 2021, and \$169,284 on June 30, 2020. The school has no non-depreciable capital assets. Additional information on the school's capital assets can be found in Note 5.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Pinon Community School Board, Inc., Navajo Route 4, Old BIA Campus, Pinon, Arizona 86510.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PINON COMMUNITY SCHOOL BOARD, INC.

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
<u>ASSETS</u>	
Current Assets:	
Cash and investments	\$ 3,845,870
Due from governmental entities	26,418
Other receivables, net	-
Prepaid items	-
Total current assets	<u>3,872,288</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>148,987</u>
Total noncurrent assets	<u>148,987</u>
Total assets	<u>4,021,275</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued liabilities	20,119
Due to others	16,447
Claims payable	32,710
Accrued payroll and employee benefits	3,819
Compensated absences payable	<u>14,908</u>
Total current liabilities	<u>88,003</u>
Noncurrent liabilities:	
Non-current portion of long-term obligations	<u>4,969</u>
Total non-current liabilities	<u>4,969</u>
Total liabilities	<u>92,972</u>
<u>NET POSITION</u>	
Invested in capital assets	148,987
Unrestricted	<u>3,779,316</u>
Total net position	<u>\$ 3,928,303</u>

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF ACTIVITIES
JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operations	Revenue and
		Services	Grants and	Changes in Net
			Contributions	Position
				Governmental
				Activities
Governmental activities:				
Education	1,488,932	-	1,744,820	255,888
Administration and governing board	464,523	11,305	504,225	51,007
Residential	31,806	49,930	2,585	20,709
Facilities, operation and maintenance	844,961	-	1,342,050	497,089
Transportation	293,560	-	342,464	48,904
COVID-19 Related	196,834	-	2,014,430	1,817,596
Total governmental activities	3,320,616	61,235	5,950,574	2,691,193
General revenues:				
Interest income				1,212
Plan recoveries				-
Total general revenues				<u>1,212</u>
Changes in net position				2,692,405
Net position, beginning of year				<u>1,235,898</u>
Net position, end of year				<u><u>3,928,303</u></u>

FUND FINANCIAL STATEMENTS

PINON COMMUNITY SCHOOL BOARD, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Total Governmental Funds
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 3,527,926	\$ 3,527,926
Due from governmental entities	26,418	26,418
Other receivables, net	-	-
Prepaid items	-	-
Total assets	\$ 3,554,344	\$ 3,554,344
 <u>LIABILITIES AND FUND BALANCES</u>		
Current Liabilities:		
Accounts payable	20,119	20,119
Accrued payroll and employee benefits	3,819	3,819
Total liabilities	23,938	23,938
Fund balances:		
Unassigned	3,530,406	3,530,406
Total fund balances	3,530,406	3,530,406
Total liabilities fund balances	\$ 3,554,344	\$ 3,554,344

PINON COMMUNITY SCHOOL BOARD, INC.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
JUNE 30, 2021

Total governmental fund balances	\$	3,530,406
Amounts reported for <i>governmental activities</i> in the statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Governmental capital assets	\$ 525,331	
:less accumulated depreciation	<u>(376,344)</u>	148,987
The Internal Services Fund is used by management to charge the cost of insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position		<u>268,787</u>
Compensated absences payable are not due and payable in the current period and therefore, are not reported in the funds		<u>(19,877)</u>
Net position of governmental activities	\$	<u>3,928,303</u>

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General	Total Governmental Funds
Revenues:		
Federal aid, grants and reimbursements	\$ 5,693,463	\$ 5,693,463
Other local	61,236	61,236
Total revenues	5,754,699	5,754,699
Expenditures:		
Current -		
Education	1,385,462	1,385,462
Administration and governing board	435,946	435,946
Residential	29,286	29,286
Facilities, operation and maintenance	786,392	786,392
Transportation	275,485	275,485
COVID-19 Related	196,834	-
Capital Outlay	-	-
Total expenditures	3,109,405	2,912,571
Changes in fund balances	2,645,294	2,645,294
Fund balances, beginning of year	885,112	885,112
Fund balances, end of year	\$ 3,530,406	\$ 3,530,406

PINON COMMUNITY SCHOOL BOARD, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Changes in fund balances - total governmental funds		\$ 2,645,294
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:		
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense		
Expenditures for capitalized assets	\$ -	
:less current year depreciation	<u>(20,297)</u>	(20,297)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
		(3,252)
The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities		
		<u>70,660</u>
Changes in net position in governmental activities		<u>\$ 2,692,405</u>

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
JUNE 30, 2021

	Governmental Activities: Internal Service Funds
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 301,497
Accounts Receivable	-
Total current assets	301,497
Total assets	301,497
 <u>LIABILITIES</u>	
Current liabilities:	
Claims payable	32,710
Total current liabilities	32,710
Total liabilities	32,710
 <u>NET POSITION</u>	
Unrestricted	268,787
Total net position	\$ 268,787

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
JUNE 30, 2021

	Governmental Activities: Internal Service Funds
Operating revenues:	
Contributions	\$ 257,110
Total operating revenues	\$ 257,110
 Operating expenses:	
Claims	98,222
Premiums	87,940
Administrative fees	1,500
Total operating expenses	187,662
 Operating income (loss)	69,448
 Nonoperating revenues (expenses)	
Investment income	1,212
Plan recoveries	-
Total nonoperating revenues (expenses)	1,212
Changes in net position	70,660
Total net position, beginning of year	198,127
Total net position, end of year	\$ 268,787

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Governmental Activities: Internal Service Funds</u>
<u>Increase/Decrease in Cash and Cash Equivalents</u>	
Cash flows from operating activities:	
Cash received from contributions	\$ 254,075
Cash payments to suppliers for goods and services	(89,440)
Cash payments for claims	(95,187)
Net cash provided by/used for operating activities	69,448
Cash flow from investing activities:	
Investment income	1,212
Plan recoveries	-
Net cash provided by/used for investing activities	1,212
Net increase/(decrease) in cash and cash equivalents	70,660
Cash and cash equivalents, beginning of year	230,837
Cash and cash equivalents, end of year	\$ 301,497
<u>Reconciliation of Operating Income/Loss to Net Cash provided/used for Operating Activities</u>	
Operating income/loss	\$ 69,448
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:	
Changes in assets and liabilities:	
Increase/decrease in stop loss receivable	(3,035)
Increase/decrease in claims payable	3,035
Total adjustments	-
Net cash provided by/used for operating activities	\$ 69,448

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 16,447
Total assets	<u>\$ 16,447</u>
<u>LIABILITIES</u>	
Due to student groups	\$ 16,447
Total Liabilities	<u>\$ 16,447</u>

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pinon Community School Board, Inc. (the school) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

Pinon Community School Board, Inc. was established as a Bureau of Indian Affairs grant school and is located on the Navajo Indian Reservation in northern Arizona. The school provides educational and residential services to Navajo children in grades K through 12. The school receives funding from the federal government and other sources. The school is operated as a Navajo governmental organization under the direction of an elected Board of Directors.

The Board of Directors consists of four voting members elected by Pinon community members. The Board's duties and powers include, but are not limited to, the acquisition, maintenance, and disposition of school property; the development and adoption of a school program; and the establishment, organization, and operation of schools.

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

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The school is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the school for financial statement presentation purposes, and the school, are not included in any other governmental reporting entity. Consequently, the School's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The school's major operations include education, student transportation, construction, and maintenance of School facilities, residential, administration, and food services.

B. Government-Wide and Fund Financial Statements

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

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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

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

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

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

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the school considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Compensated absences are recorded only when payment is due.

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

Other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

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

The school reports the following major governmental fund:

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

General fund - The General Fund is the school's primary operating fund. It accounts for resources received by the School from the Departments of Interior and education. Its main function is to provide education, administration, facilities, and residential care to Navajo Children.

Additionally, the School reports the following funds:

Proprietary Fund - The Proprietary fund is an Internal Service Fund that accounts for activities related to the school's self-insurance program.

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

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

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

The agency fund is custodial in nature and does not have a measurement focus and is reported on the accrual basis of accounting. The agency fund is reported by fund type.

D. Cash and Investments

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

The Pinon Community School Board, Inc.'s Board of Directors authorizes the school to invest monies in interest bearing savings accounts, money market funds, certificates of deposit and U.S. government securities. All investments are stated at fair value.

E. Investment Income

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

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

F. Receivables and Payables

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

All receivables are shown net of an allowance for uncollectable.

G. Prepaid Items

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

H. Capital Assets

Capital assets, which include vehicles, machinery, and equipment, are reported in the government-wide financial statements.

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

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

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

Building improvements	10 years
Vehicles	7 years
Machinery and equipment	7-10 years

I. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The school did not have any items that qualified for reporting in this category.

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

J. Compensated Absences

The school's employee vacation and sick leave policies provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position.

L. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financial sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

M. Net Position Flow Assumption

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

N. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Budgetary Data

An annual budget is not adopted by the School's Board of Directors and adoption of an annual budget is not legally required. Budgets for individual grants are submitted with original requests for funding through the approval of the Board of Directors. Modifications are made to these budgets as funding levels are changed or as program requirements change. The individual grant budgets are not aggregated to create an annual budget. Therefore, a budgetary comparison schedule is not presented.

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 - FUND BALANCE CLASSIFICATIONS

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

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

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

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

Assigned. Amounts in the assigned fund balance classification are intended to be used by the school for specific purposes but do not meet the criteria to be classified as restricted or committed. In the governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Directors or a management official delegated that authority by the formal Board of Directors action. The school does not have a formal policy or procedures for the utilization of assigned fund balance. Accordingly, no assigned fund balance amounts are reported.

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

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

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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

	<u>General Fund</u>
Fund Balances:	
Unassigned	<u>3,530,406</u>
Total fund balances	<u>\$ 3,530,406</u>

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure the school's deposits may not be returned to the school. At year end, the carrying amount of the school's deposits was \$3,544,374 and a bank balance of \$3,793,695. Of the bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation, and the balance of \$3,294,374 was covered by collateral agreements with Wells Fargo. \$301,497 was held by the self-insurance pool.

NOTE 4- RECEIVABLES

Receivable balances, net of allowance for uncollectable, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectable, in the aggregate, as of year-end for the School's General Fund was \$26,418 due from the federal government. The amount represents federal drawdowns that were approved in the current year and received after year-end.

NOTE 5 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 186,010	\$ -	\$ -	\$ 186,010
Furniture and equipment	292,277	-	-	292,277
Vehicles	47,044	-	-	47,044
Total capital assets being depreciated	<u>525,331</u>	<u>-</u>	<u>-</u>	<u>525,331</u>
Less accumulated depreciation for:				
Buildings and improvements	(45,947)	(15,616)	-	(61,563)
Furniture and equipment	(263,056)	(4,681)	-	(267,737)
Vehicles	(47,044)	-	-	(47,044)
Total accumulated depreciation	<u>(356,047)</u>	<u>(20,297)</u>	<u>-</u>	<u>(376,344)</u>
Total capital assets being depreciated, net	<u>169,284</u>	<u>(20,297)</u>	<u>-</u>	<u>148,987</u>
Governmental activities capital assets, net	<u>169,284</u>	<u>(20,297)</u>	<u>-</u>	<u>148,987</u>

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Depreciation expense was charged to governmental functions as follows:

Operation and maintenance of plant services	\$ 7,022
Education	12,675
Residential	600
Total depreciation expense - governmental activities	<u>\$ 20,297</u>

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Addition	Reduction	Ending balance	Due within one year
Governmental activities					
Compensated absences payable	\$ 16,625	7,781	4,529	19,877	14,908
Governmental activity long term liabilities	<u>\$ 16,625</u>	<u>\$ 7,781</u>	<u>\$ 4,529</u>	<u>\$ 19,877</u>	<u>\$ 14,908</u>

NOTE 7 - CONTINGENT LIABILITIES

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

Lawsuits - The School is not party to any types of lawsuits as of yearend but may become party to them of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable; however, School management believes that the outcome of any proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

NOTE 8 - RISK MANAGEMENT

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

The school established an Employee Benefits Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss related to employee health claims. Under this program, the Fund provides coverage for up to a maximum of \$25,000 for each claim, not to exceed an annual aggregate of \$1,000,000. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceeded this coverage in any of the past three fiscal years. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and number of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate. Changes in the balances of claims liabilities during the past two years are as follows:

Employee Benefits	Claims Payable	Current Year Claims and	Claim Payments	Claims Payable at End of Year
2020-2021	\$ 35,745	\$ 95,187	\$ 98,222	\$ 32,710
2019-2020	50,617	25,960	40,832	35,745

NOTE 9 - ECONOMIC DEPENDENCY

The school's revenue sources are based primarily on federal financial assistance subject to availability of funds and the school's compliance with federal rules and regulations.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The school adopted a defined contribution retirement plan qualifying under the Internal Revenue Code Section 401(k). The Pinon Community School Board's 401(k) Profit Sharing Plan is administered by Alliance Benefit Group Southwest, LLC, under the direction of the Retirement Committee. The Pinon Community School Retirement Committee is the Plan Administrator. Eligibility requirements for the salary deferral component of the Plan are met on the date an employee is hired, provided they have attained age 18. Eligibility requirements for the employer matching component of the Plan are met after attainment of age 18 and completion of three months of service. Participating employee contributions are vested immediately, with employer matching contributions vesting over a period of three years. The employer and employee contributions to the plan in 2021 were \$64,543 and \$153,345, respectively.

NOTE 11 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued but have not yet been implemented by the school.

Leases

On February 25, 2016, the FASB issued ASU 2016-02 Leases, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position, a liability to make lease payments (the "lease liability"), and an asset representing its right to use the underlying asset for the lease term.

PINON COMMUNITY SCHOOL BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2021 (The School's fiscal year ending June 30, 2022). As of the date of these financial statements, management has not determined the impact this new accounting pronouncement will have on future reporting periods.

NOTE 12 - UNCERTAINTY RELATED TO THE COVID-19 OUTBREAK

In December 2020, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the school's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on federal funding, charges for services, employees, and vendors, all of which are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact the school's financial condition or results of operations is uncertain.

SINGLE AUDIT SECTION



**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***

To the Board of Directors
Pinon Community School Board, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pinon Community School Board, Inc. (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the school's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

McCabe CPA Group, LLC

Albuquerque, New Mexico

March 30, 2022



Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Pinon Community School Board, Inc.

Report on Compliance for Each Major Federal Program

We have audited Pinon Community School Board, Inc. (the “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 the school’s major federal programs for the year ended June 30, 2021. The school’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the school’s compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

Report on Internal Control over Compliance

Management of the 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 the 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 the 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the school as of and for the year ended June 30, 2021, and have issued our report thereon dated March 30, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

McLabe CPA Group, LLC

Albuquerque, New Mexico

March 30, 2022

PINON COMMUNITY SCHOOL BOARD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal/Pass-Through/Agency	CFDA Number	Federal Award Number or Other Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through Bureau of Indian Affairs:			
Title I Grants to Local Educational Agencies	84.010	A19AV00930	\$ 184,405
Special Education - Grants to States	84.027	A19AV00930	72,067
Indian Education Grants to Local Education	84.060	A19AV00930	4,098
Twenty First Century Community Learning Centers	84.287	A19AV00930	-
Teacher Quality Partnership Grants	84.336	A19AV00930	33,634
Grants for State Assessments	84.369	A19AV00930	-
School Improvement Grant	84.377	A19AV00930	17
Student Support and Academic Enrichment	84.424	A19AV00930	-
COVID-19 - CRSSA	84.425	A19AV00930	34,144
COVID 19 - Education Stabilization under the CARES Act	84.425	A19AV00930	146,020
<i>Passed through Arizona Department of Education:</i>			
Teacher Quality Partnership Grants	84.412	A19AV00930	35,963
Total U.S. Department of Education			510,348
U.S. Department of Agriculture			
Passed through State of Arizona			
Child Nutrition Cluster:			
Non-cash Assistance (Commodities):			
National School Lunch Program	10.555	NA	400
Cash Assistance:			
School Breakfast Program	10.553	NA	35,406
National School Lunch Program	10.555	NA	170,580
			206,386
Cash Assistance Subtotal			206,786
Total U.S. Department of Agriculture			206,786
U.S. Department of Interior			
Passed through Bureau of Indian Affairs:			
Indian School Equalization	15.042	A19AV00930	812,716
COVID-19 - IT CARES Act	15.042	A19AV00930	16,670
Indian School Student Transportation	15.044	A19AV00930	275,485
Administrative Cost Grants for Indian Schools	15.046	A19AV00930	427,250
Indian Education Facilities, Operations and Maintenance	15.047	A19AV00930	786,392
Replacement and Repair of Indian Schools	15.062	A19AV00930	-
BIE Native Language Immersion	15.151	A19AV00930	25,319
Education Enhancements	15.151	A19AV00930	11,255
Total U.S. Department of Interior			2,355,087
Total Expenditure of Federal Awards			\$ 3,071,821

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Pinon Community School Board, Inc. under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the school, it is not intended to and does not present the financial position, changes in net position or cash flows of the school.

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 applicable Uniform Guidance cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

The auditee did not use the de minimis cost rate.

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2021 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

NOTE 5 - NON-CASH ASSISTANCE

The school received noncash assistance in the amount of \$400 for FY 2021.

NOTE 6 - RECONCILIATION OF SCHEDULE OF EXPENDITUES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENT

The following is a reconciliation of the expenditures reported on the Schedule of Federal Awards to the expenditures reported in the Statement of Activities included in the accompanying financial statements:

Expenditures according to the schedule of expenditures of federal awards	\$ 3,071,821
Expenditures funded by nonfederal sources	37,584
Expenditures per financial statements	<u>\$ 3,109,405</u>

**PINON COMMUNITY SCHOOL BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

SECTION I -SUMMARY OF AUDITOR’S RESULTS:

Financial Statements

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

- Significant deficiency(ies) identified: **No**
- Material weakness(es) identified: **No**
- Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: **No**
- Material weakness(es) identified: **No**

Type of auditor’s report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: **No**

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM OF CLUSTER</u>
15.042	Indian School Equalization Program
15.042	COVID-19 – IT CARES Act
15.047	Indian Education Facilities, Operations and Maintenance

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
Auditee qualified as low-risk auditee: **Yes**

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: **No**

Findings and Questioned Costs Related to Federal Awards: **No**

Summary Schedule of Prior Audit Findings required to be reported: **No**

PINON COMMUNITY SCHOOL BOARD, INC.
SUMMARY OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV – Other Disclosures

Auditor Prepared Financials

McCabe CPA Group, LLC assisted in the preparation of the financial statements presented in this report. The school's management has reviewed, approved the financial statements, and related notes and they believe that their records adequately support the financial statements.

-END OF REPORT-

