

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2011**

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**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2011**

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**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***

Governing Board of
Tuba City Unified School District No.15

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuba City Unified School District No.15 as of and for the year ended June 30, 2011, and have issued our report thereon dated January 16, 2012. 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.

Internal Control over Financial Reporting

Management of Tuba City Unified School District No.15 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tuba City Unified School District No.15's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tuba City Unified School District No.15's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tuba City Unified School District No.15's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tuba City Unified School District No.15's financial statements are free of 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*.

We noted certain matters that we reported to management of Tuba City Unified School District No.15 in a separate document entitled Uniform System of Financial Records (USFR) Compliance Questionnaire dated March 12, 2012.

This report is intended solely for the information and use of Tuba City Unified School District No.15's management, Governing Board, others within the entity, Arizona Office of the Auditor General, Arizona Department of Education and other governmental agencies as deemed appropriate. This report is not intended to be and should not be used by anyone other than these specified parties.

 CPA PC

William Dobridge, CPA PC
Certified Public Accountant

March 12, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board of
Tuba City Unified School District No.15

Compliance

We have audited Tuba City Unified School District No.15's (the District) 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 Tuba City Unified School District No.15's major federal programs for the year ended June 30, 2011. Tuba City Unified School District No.15's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 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 the District'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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are identified in the accompanying Schedule of Findings and Questioned Costs as items 11-01, 11-02 and 11-03.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the District's internal control over compliance.

Internal Control Over Compliance (concluded)

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 deficiencies, significant deficiencies, or material weaknesses therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a *material weakness* and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs identified as item 11-01 to be a material weakness.

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. We consider the deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs identified as items 11-02 and 11-03 to be significant deficiencies.

Tuba City Unified School District No.15's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuba City Unified School District No.15 as of and for the year ended June 30, 2011, and have issued our report thereon dated January 16, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Tuba City Unified School District No.15's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB *Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Use of Report

This report is intended solely for the information and use of management, the District's governing board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

 CPA PC

William Dobridge, CPA PC
Certified Public Accountant

March 12, 2012

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor's Number	Expenditures and Transfers
<u>U.S. Department of Agriculture</u>			
Direct:			
Forest Fees	10.665	N/A	\$ 51,685
Indirect:			
Arizona Department of Education:			
Child Nutrition Cluster:			
School Breakfast Programs	10.553	None	224,960
National School Lunch Programs (donated food)	10.555	None	74,649
National School Lunch Programs (cash assistance)	10.555	None	<u>523,779</u>
Total Child Nutrition Cluster			<u>823,388</u>
Total U.S. Department of Agriculture			<u>875,073</u>
<u>U.S. Department of Interior</u>			
Direct:			
Indian Education Assistance to Schools	15.130	N/A	110,324
<u>U.S. Department of Education</u>			
Direct:			
Impact Aid	84.041	N/A	10,886,921
Indian Education	84.060	N/A	367,425
Indirect:			
Arizona Department of Education:			
Title I Cluster:			
Title I Grants	84.010	S010A080003	1,559,197
Title I Recovery Act	84.389	S389A090003	<u>397,176</u>
Total Title I Cluster			<u>1,956,373</u>
Special Education Cluster:			
Special Education Grants	84.027	H027A100007	473,934
Special Education Preschool Grants	84.173	H173A100003	7,985
IDEA Special Education Recovery Act	84.391	H173A100003	84,462
IDEA Preschool Grants Program Recovery Act	84.392	H392A090003	<u>3,877</u>
Total Special Education Cluster			<u>570,258</u>
Vocational Education Basic Grants	84.048	V048A090003	32,770
Education Tech State Grants Recovery Act	84.386	S386A090003	31,881
English Language Acquisition Grants	84.365	S365A090003	17,110
Improving Teacher Quality State Grants	84.367	S281A090003	119,515
Education Jobs - ARRA	84.410	OER-11-ISA-J-001	381,648
State Fiscal Stabilization Fund - ARRA	84.394	SA GOER-FY2010-506-E	<u>75,213</u>
Total U.S. Department of Education			<u>14,439,114</u>
<u>U.S. Department of Defense</u>			
Direct:			
Marine Corps Jr ROTC	12.000	N/A	135,540
<u>U.S. Department of Health and Human Services</u>			
Indirect:			
Northern Navajo Medical Center:			
Comprehensive School Health Programs	93.938	None	<u>87,034</u>
Total Expenditures of Federal Awards			<u>\$ 15,647,085</u>

See notes accompanying schedule.

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR YEAR ENDED JUNE 30, 2011**

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year ended June 30, 2011 as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2011 *Catalog of Federal Domestic Assistance*.

NOTE 3 - NON-CASH ASSISTANCE

Food donations as reported for the Child Nutrition Cluster represents the amount of donated food used during the fiscal year ended June 30, 2011. Commodities are valued at fair value at the time of donation.

NOTE 4 - MEDICAID REIMBURSEMENTS

The District received \$35,874 in Medicaid Fee for Service reimbursements during the fiscal year ended June 30, 2011. However, the Medicaid Fee for Service reimbursements are not considered Federal awards in accordance with OMB Circular A-133, and therefore the related expenditures are not presented in this schedule.

NOTE 5 - E-RATE FUNDING

The District received \$366,508 of assistance associated with the E-Rate reimbursement program sponsored by the Federal Communications Commission, passed through the Universal Service Administrative Co. - Schools and Libraries Division. This assistance is not considered Federal awards in accordance with OMB Circular A-133, and therefore the related expenditures are not presented in this schedule.

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

SECTION I - SUMMARY OF RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of Tuba City Unified School District No.15 for the fiscal year ended June 30, 2011.

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	None Reported
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	None Reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes
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 section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.010, 84.389	Title I Grants Cluster
84.041	Impact Aid
84.410	Education Jobs - ARRA

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 469,413
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Auditee qualified as low-risk auditee?	No
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Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with OMB Circular A-133 (section .315[b])?	Yes
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**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no financial statement findings noted for fiscal year ended June 30, 2011 that were required to be reported.

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number	11-01
CFDA Number	84.041
Program Title	Impact Aid
Compliance Requirement	Reporting
Finding Type	Noncompliance
Questioned Costs	N/A
Finding	The District did not use a federally approved method to count the membership of its federally connected students.
Criteria	34 CFR 222.35 requires that a local education agency count the membership of its federally connected children by (a) parent-pupil survey and/or (b)Source check form provided to (i) To a parent's employer, on which the employer certifies as to the place of employment of a parent of a pupil claimed; (ii) To a housing official, on which the official certifies as to the residence of each pupil claimed; or (iii) To a tribal official, on which the official certifies as to the residence of each pupil claimed residing on Indian lands over which that tribal official has jurisdiction.
Condition	The District used internal enrollment information to determine federally connected students.
Cause	The District did not use a federally approved method to count membership of its federally connected students.
Effect	The District is not in compliance with federal regulations
Recommendation	We recommend that the District review the federal regulations to understand the detailed requirements for the approved counting methods for federally connected students. The detailed support of the count should be maintained to support federally connected students claimed on the impact aid application.
Corrective Action Plan	The District will implement the correct procedures to count membership of its federally connected children in compliance with federal regulations.
District Contact	Priscine Jones, Business Manager

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding Number	11-02
CFDA Number	84.010
Program Title	Impact Aid
Compliance Requirement	Davis-Bacon Act
Finding Type	Noncompliance
Questioned Costs	N/A
Finding	The District did not retain documentation sufficient to determine Davis-Bacon compliance clause was included in advertised specifications. In addition, the District did not receive weekly certified payrolls from two of three contractors who were working on projects funded with Impact Aid construction awards.
Criteria	<p>40 USC 3142(a) states in part: "The advertised specifications for every contract in excess of \$2,000, to which the Federal Government...is a party, for construction...of public buildings and public works of the Government... that are located in a State...which requires or involves the employment of mechanics or laborers shall contain a provision stating the minimum wages to be paid various classes of laborers and mechanics.</p> <p>40 USC 3145(a) states in part: "...each contractor and subcontractor each week must furnish a statement on the wages paid each employee during the prior week."</p>
Condition	The District did not appear to include the required clause in advertised specifications for two of three construction contracts reviewed. In addition, certified weekly payrolls were not received from contractors.
Cause	District not have internal controls sufficient to ensure compliance.
Effect	The District is not in compliance with federal regulations
Recommendation	We recommend that the District develop internal controls to ensure advertised solicitations contain required clause. We further recommend that the District obtain weekly certified payrolls for all construction projects funded with Federal Impact Aid awards.
Corrective Action Plan	The District has made sure that all current fiscal year Invitations for Bid and Requests for Proposals contains the appropriate Davis-Bacon terminology. We will further ensure that certified weekly payroll records are obtained from contractors
District Contact	Priscine Jones, Business Manager

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (concluded)

Finding Number	11-03
CFDA Number	84.410
Program Title	Education Jobs Fund
Compliance Requirement	Reporting
Finding Type	Noncompliance
Questioned Costs	N/A
Finding	The District did not retain documentation sufficient to determine if required ARRA quarterly reporting of revenues and expenditures and jobs saved and created was completed.
Criteria	Section 1512 of American Recovery and Reinvestment Act of 2009 (ARRA) states in part "Not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains — (1) the total amount of recovery funds received from that agency; (2) the amount of recovery funds received that were expended or obligated to projects or activities;...[and]...(D) an estimate of the number of jobs created and the number of jobs retained by the project or activity..." Although reporting is ultimately the responsibility of the State of Arizona's Department of Education (ADE), the District is responsible for providing ADE with timely information sufficient to enable ADE to complete required reporting.
Condition	The District could not produce evidence that required quarterly reports were prepared or submitted to ADE.
Cause	The District's internal control did not provide for the retention of documentation to demonstrate compliance.
Effect	The District is not in compliance with federal regulations
Recommendation	We recommend that a detailed folder is prepared that contains all support for quarterly reporting, including detailed registers supporting revenues and expenditures and the folder should include any relevant reports used to determine jobs saved and/or created. Further, we recommend a second person reviews support and submission to ensure data reported is timely, accurate and retained.
Corrective Action Plan	We will implement auditor's suggestions for all future ARRA reporting.
District Contact	Priscine Jones, Business Manager

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2011**

Status of Prior Year Financial Statement Findings

Prior Year Finding No. 10-01

Financial Statement

Food service fund had a negative cash balance.

Status:

Corrected

The District maintained a cash balance of \$2,606 as of June 30, 2011.

Prior Year Finding No. 10-02

Financial Statement

District did not obtain bids for one purchase greater than the bid limit.

Status:

Corrected

The District obtained all bids as required.

**TUBA CITY UNIFIED SCHOOL DISTRICT NO.15
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2011**

Status of Prior Year Federal Award Findings and Questioned Costs

Prior Year Finding No. 10-03

CFDA Number 84.010
Program Title Title I - L.E.A.
US. Department of Education

Finding The adjusted cash balance was not always within the allowable cash balance limits.

Status: Corrected
The District no longer makes cash advances. Cash draws are now on the reimbursement basis.

Prior Year Finding No. 10-04

CFDA Number 84.010
Program Title Title I - L.E.A.
US. Department of Education

Finding Budget allocations for the Title I sites were not allocated in accordance with federal regulations.

Status: Corrected, the District properly allocated Title I funds based on each schools poverty rate.

Prior Year Finding No. 10-05

CFDA Number 84.299
Program Title Native American Teacher Development
US. Department of Education

Finding Performance reports not always submitted in a timely manner.

Status: The District no longer has a Native American Teacher Development grant.

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