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**Hewel Ñi'okĩ Radio Station**  
**(A Department of the Tohono O'odham Nation)**

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*Financial Statements  
and  
Independent Auditor's Report  
September 30, 2014*

**REDW**<sup>LLC</sup>  
CPAs | Business & Financial Advisors

**Hewel Ñi'okĩ Radio Station**  
**(A Department of the Tohono O'odham Nation)**

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## Independent Auditor's Report

Chairman and Honorable Members of the Legislative Council  
Tohono O'odham Nation

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

We have audited the accompanying financial statements of the governmental activities and major fund of the Hewel Ní'okí Radio Station Department (the "Department") of the Tohono O'odham Nation (the "Nation"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Department'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Hewel Āi'okī Radio Station Department of the Nation, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the major fund of the Hewel Āi'okī Radio Station that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the Nation as of September 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

REDWLLC

Phoenix, Arizona  
February 5, 2015

**Hewel Ñi'okĩ Radio Station**  
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**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2014**

**Introduction**

The Tohono O'odham Nation (the "Nation"), as the licensee of KOHN 91.9 FM operates the station as an Executive Program under the Executive Branch with the program designation of Hewel Ñi'okĩ, voice of the wind.

The management discussion and analysis (MD&A) of Hewel Ñi'okĩ, managers and operators of KOHN 91.9 FM Radio (KOHN), provides an overview of Hewel Ñi'okĩ's financial performance for the fiscal years ended September 30, 2014 and 2013. Please read it in conjunction with the basic financial statements for the period and the annual report to the Corporation for Public Broadcasting (CPB) that accompanies the basic financial statements.

**Overview of Operations**

Hewel Ñi'okĩ is a department of the Executive Branch of the Tohono O'odham Nation ("Nation"), reporting directly to the Office of the Chairman and operates KOHN 91.9 FM under a Federal Communications Commission (Commission) license issued to the Tohono O'odham Nation. The Nation appropriates operating funds for Hewel Ñi'okĩ through the adoption of an annual budget for the Executive Branch. The Executive Branch's General Support Services provides indirect administrative support for Hewel Ñi'okĩ including financial management and reporting, human resources, facility and fleet maintenance, purchasing, and information technology support.

The Tohono O'odham Nation is a native sovereign Nation governed under an adopted constitution. The constitutional government of the Nation is of a tri-branch system consisting of an Executive, Legislative and Judicial Branch. The Executive Branch operates under the direction of a Chairperson and Vice Chairperson elected at large by the citizens (members) of the Tohono O'odham Nation. The Legislative Branch consists of a Legislative Council, its Officers and associated staff. Legislative Representatives are elected at large from 12 separate political districts, two representatives per district. The Chairperson and Vice Chairperson of the Legislative Council are elected from within the council membership and additional officers may be appointed from outside of the body. The Legislative Council provides legislative oversight over the Executive and Judicial Branch through established committees. (The Legislative Oversight Committees for Hewel Ñi'okĩ are the Culture Preservation Committee for general issues and the Budget and Finance Committee for fund appropriations and fiscal matters.) The Judicial Branch consists of six legislatively appointed Justices and serves as a court of record for the Nation in addition to adjudicating disputed civil matters and criminal prosecution. The appointed Justices elect from their membership a Chief and Deputy Chief Justice to serve as branch administrators. The Justices are constitutionally empowered to convene from its members

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an appellate court to hear and render decisions on appeals as well as other lower courts it deems necessary.

Hewel N̄i'ok̄i's financial activities are managed under policies and procedures of the Executive Branch and adopted laws of the Tohono O'odham Nation and are subject to the internal audit and control of the Executive Branch. Previous to fiscal year 2007, Hewel N̄i'ok̄i, formerly KOHN, was audited under the Nation's single, government-wide audit. The current separate external audit of Hewel N̄i'ok̄i for fiscal year 2014 was conducted to comply with the conditions of a Corporation for Public Broadcasting (CPB) Community Services Grant that KOHN was awarded for fiscal years 2014 and 2013. CPB is a private, nonprofit corporation created by Congress. CPB is not a governing agency and promotes telecommunications services (television, radio and on-line) for the American people.

KOHN 91.9 FM was originally licensed to the Tohono O'odham Nation on December 23, 2004. The license was renewed on September 30, 2005, and most recently on September 27, 2013. The current license will expire on October 1, 2021.

## **Overview of Financial Statements**

This annual report consists of four parts:

1. Management's discussion and analysis.
2. Basic financial statements.
3. Notes to the basic financial statements.
4. Required supplementary information.

The financial statements of Hewel N̄i'ok̄i are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements combine the fund and department-wide financial statements. These statements present different views of the organization.

## **Department-Wide Statements**

The Statements of Net Position and the Statements of Activities are department-wide, providing both long-term and short-term information about KOHN's overall financial status. These department-wide financial statements are designed to provide readers with a broad overview of Hewel N̄i'ok̄i's finances, in a manner similar to a private-sector business.

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The Statements of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether financial position is improving or deteriorating.

The Statements of Activities presents information showing how 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 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 (i.e., accrued leave).

### **Fund Financial Statements**

The fund balance sheet and the statement of revenues, expenditures, and changes in fund balance provide detailed information about the most significant funds. All of Hewel Ńi'okĩ's activities are reported in the operating fund. The financial statements also present a budgetary comparison for the operating fund as supplementary information.

The operating fund is a governmental fund and therefore its focus is on how cash and other financial assets flow in and out, and the balances left at year-end that are available for spending.

Governmental funds provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

The notes to the financial statements provide required disclosures and other information that are essential to full understanding of the material data provided in the statements. The notes present information about accounting principles, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

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**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2014**

**Condensed Financial Information**

The following summarizes assets, liabilities and net position:

**Table 1**  
**Assets, Liabilities, and Net Position**  
**September 30,**

	2014	2013
<b>Assets</b>		
Current assets	\$ 53,483	\$ 68,674
Capital assets, net	<u>266,772</u>	<u>286,441</u>
Total assets	<u>320,255</u>	<u>355,115</u>
 <b>Liabilities</b>	 <u>78,871</u>	 <u>88,237</u>
 <b>Net Position</b>		
Net investment in capital assets	266,772	286,441
Unrestricted (deficit)	<u>(25,388)</u>	<u>(19,563)</u>
Total net position	<u>\$ 241,384</u>	<u>\$ 266,878</u>

The following summarizes changes in net position:

**Table 2**  
**Revenues, Expenses and Other Changes in Net Position**  
**For the Years Ended September 30,**

	2014	2013
Operating grants	\$ 229,256	\$ 147,858
Indirect administrative support	152,937	127,970
Donations/contributions	2,302	5,543
Expenses – radio station operations	(957,044)	(846,244)
Transfers from Tohono O'odham Nation general fund	<u>547,055</u>	<u>539,960</u>
Decrease in net position	<u>\$ (25,494)</u>	<u>\$ (24,913)</u>

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Tables 3 and 4 summarize expenses in the program and support services functional categories.

**Table 3**  
**Schedule of Functional Expenses by Natural Class**  
**For the Years Ended September 30,**

	2014			2013 Total
	Program Services	Support Services	Total	
Salaries	\$ 353,547	\$ 90,597	\$ 444,144	\$ 417,778
Fringe benefits	113,816	26,127	139,943	123,280
Nation administrative support	-	152,937	152,937	127,970
Insurance	2,305	256	2,561	2,237
Training and registration	-	-	-	2,250
Lodging	-	-	-	859
Per diem	-	-	-	1,098
Mileage	3,284	875	4,159	4,036
Utilities	16,956	1,576	18,532	18,069
Communications	25,845	2,608	28,453	31,308
Freight and postage	-	196	196	314
Fuel	3,900	433	4,333	4,249
Office supplies	11,214	2,032	13,246	3,385
Other supplies	42,585	-	42,585	4,978
Program supplies	-	-	-	9,956
Dues and subscriptions	14,996	4,510	19,506	20,696
Lease/rentals	5,184	-	5,184	5,184
Repairs and maintenance – equipment	2,192	299	2,491	2,105
Repairs and maintenance – vehicle	-	2,929	2,929	2,763
Professional services	31,284	900	32,184	18,413
Consultants	2,097	-	2,097	-
Public relations	2,895	-	2,895	1,519
Audit	-	19,000	19,000	19,000
Depreciation	-	19,669	19,669	24,797
Totals	<u>\$ 632,100</u>	<u>\$ 324,944</u>	<u>\$ 957,044</u>	<u>\$ 846,244</u>

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**Table 4**  
**Schedule of Summarized Functional Expenses**  
**For the Years Ended September 30,**

	<b>2014</b>	2013
Program services		
Programming and production	\$ 347,421	\$ 326,301
Broadcasting and engineering	115,279	94,235
Program information and promotion	169,400	131,289
Subtotal	<b>632,100</b>	551,825
Support services		
Management and general	324,944	294,419
Total	<b>\$ 957,044</b>	\$ 846,244

**Budgetary Highlights**

For the fiscal year 2014, a three percent adjustment to salaries was approved for all positions of the Tohono O'odham including positions funded for Hewel Ñi'okĩ. Upon notice from the vendor that it would no longer support the outdated version of Hewel Ñi'okĩ's audio automation system, a major investment was made to update the system. Originally purchased in 2004, the upgrade of the system involved the purchase of both software and integrated hardware systems. Concurrently, production computers were also upgraded to Apple Airbooks, a recognized standard in broadcasting, particularly fieldwork.

The failure of Hewel Ñi'okĩ's audio processor on Je:wek Mountain was also the cause of an additional outlay for equipment purchases, as well as the investment into an equipment storage unit to house surplus equipment.

Another significant factor in the reallocation of resources involved the cost sharing of engineering services between the two funding sources of Hewel Ñi'okĩ, thus the increase use of grant funding for this service.

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**Community Service Grants (CSGS)**

KOHN FM receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually for radio. The Community Service Grants received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Awarded	Expended					Uncommitted Balance at September 30, 2014
		Prior Years	2011	2012	2013	2014	
Prior years	\$ 708,656	\$ 708,656	\$ -	\$ -	\$ -	\$ -	\$ -
2010	60,460	-	56,186	4,274	-	-	-
2011	207,973	-	183,393	24,580	-	-	-
2012	204,541	-	-	199,048	5,493	-	-
2013	196,684	-	-	-	142,365	54,319	-
2014	209,166	-	-	-	-	174,937	34,229
		<u>\$ 708,656</u>	<u>\$ 239,579</u>	<u>\$ 227,902</u>	<u>\$ 147,858</u>	<u>\$ 229,256</u>	<u>\$ 34,229</u>

**Capital Assets**

Capital assets include all installed equipment, vehicles, main studio, transmitter and tower. The Public Telephone Facilities Program (PTFP) has an executed ten year lien on all satellite equipment purchased and installed. The expiration of this lien is 2018.

There were no additional assets.

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

As previously reported, the Tohono O'odham Nation, by Resolution 12-127 re-designated the Executive Branch department having management and operational responsibility over licensed broadcast stations of the Nation. Formerly known simply by the original radio station call letters, KOHN, the department was formerly designated as Hewel Ñi'okĩ. This was in anticipation of additional broadcast stations which the Nation sought licenses for and had obtained a construction permit. KOHH, the new station to serve the satellite San Lucy community, is expected to be operational in October 2014. It is expected that FCC will grant the Nation its request to operate KOHH as extension of KOHN's broadcast and permit the Nation to operate KOHH as a satellite station without the need to establish a main studio and to provide additional programming staff, minimizing costs. However, Hewel Ñi'okĩ has identified the need to provide local presence to enhance community engagement as well as a more defined organization to meet the management and operational requirements of multiple stations. Hewel Ñi'okĩ has developed and will be proposing positions to address this. This effort will cause a continued assessment of resource allocations and will be reflected in fiscal year 2015 and 2016 budget requests.

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The establishment of a business office for Hewel Ñi'okĩ will remain a concern to be addressed when more favorable economic conditions exist and resources are made available. Initial estimates of fixed operating costs of a business office are not viable under the current conditions.

The Nation has received a construction permit for one of two low power FM stations to expand broadcast service to the Florence and San Xavier communities, two additional satellite services of the Nation. Florence, KOHF-LP, will be similar to the operations of KOHH, however, San Xavier, if granted, will be more of a challenge. San Xavier will be required to provide a minimum of 8 hours of local origination per day. The Nation will need to build a broadcast studio and provide staff to meet this requirement. Florence is scheduled to be operational in September 2015 and San Xavier has yet to be granted its construction permit.

**Contacting Financial Management**

This financial report is designed to provide donors, members, and the general public with a general overview of Hewel Ñi'okĩ's finances. Hewel Ñi'okĩ's annual basic financial statements and reports to CPB are available for public inspection during business hours at KOHN's main studio located at Arizona State Route 86, milepost 92.4, Covered Wells, Arizona or can be requested by mail at the following address:

Hewel Ñi'okĩ  
KOHN 91.9 FM  
Tohono O'odham Nation  
Post Office Box 837  
Sells, Arizona 85634

## Financial Statements

**Hewel Ñi'okĩ Radio Station**  
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**Governmental Fund Balance Sheet and Statement of Net Position**  
**September 30, 2014**

	Operating Fund	Adjustments (Note 6)	Statement of Net Position
<b>Assets</b>			
Current assets			
Due from Nation's general fund	\$ 53,483	\$ -	\$ 53,483
Total current assets	53,483	-	53,483
Capital assets, net	-	266,772	266,772
Total assets	\$ 53,483	\$ 266,772	\$ 320,255
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 12,306	\$ -	\$ 12,306
Accrued expenses	10,634	-	10,634
Unearned revenue	33,436	-	33,436
Total current liabilities	56,376	-	56,376
Accrued compensated absences	-	22,495	22,495
Total liabilities	56,376	22,495	78,871
<b>Fund Balance/Net Position</b>			
<i>Unassigned</i>			
Fund balance (deficit)	(2,893)	2,893	-
Total liabilities and fund balance	\$ 53,483	25,388	78,871
Net position			
Net investment in capital assets		266,772	266,772
Unrestricted (deficit)		(25,388)	(25,388)
Total net position		\$ 241,384	\$ 241,384

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

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**Governmental Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance and Statement of Activities**  
**For the Year Ended September 30, 2014**

	Operating Fund	Adjustments (Note 6)	Statement of Activities
<b>Revenues</b>			
Operating grants	\$ 229,256	\$ -	\$ 229,256
Indirect administrative support	152,937	-	152,937
Donations/contributions	<u>2,302</u>	<u>-</u>	<u>2,302</u>
Total revenues	<u>384,495</u>	<u>-</u>	<u>384,495</u>
<b>Expenditures/Expenses</b>			
Radio station operations			
Salaries	438,319	5,825	444,144
Fringe benefits	139,943	-	139,943
Nation administrative support	152,937	-	152,937
Utilities and communication	46,986	-	46,986
Miscellaneous expenses	102,181	-	102,181
Professional services	51,184	-	51,184
Depreciation	<u>-</u>	<u>19,669</u>	<u>19,669</u>
Total expenditures/expenses	<u>931,550</u>	<u>25,494</u>	<u>957,044</u>
Revenues (under) expenditures/expenses before transfers	(547,055)	(25,494)	(572,549)
Transfers from the Nation's general fund	<u>547,055</u>	<u>-</u>	<u>547,055</u>
Revenues and transfers (under) expenditures/expenses	-	(25,494)	(25,494)
Fund balance (deficit)/net position, beginning of year	<u>(2,893)</u>	<u>269,771</u>	<u>266,878</u>
<b>Fund balance (deficit)/net position, end of year</b>	<u><u>\$ (2,893)</u></u>	<u><u>\$ 244,277</u></u>	<u><u>\$ 241,384</u></u>

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

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**Notes to Financial Statements**  
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**1) Summary of Significant Accounting Policies**

Nature of Operations

Hewel Ñi'okĩ Radio Station (Hewel Ñi'okĩ), formally known as KOHN Radio Station (KOHN), is a department of the Tohono O'odham Nation (the "Nation"). Hewel Ñi'okĩ's primary function is to provide public broadcasting to the people of the Nation and surrounding communities.

Reporting Entity

Hewel Ñi'okĩ is one of several departments of the Nation. The financial statements present only the financial position of Hewel Ñi'okĩ and do not purport to, and do not, present fairly the financial position of the Tohono O'odham Nation, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

*Department-Wide Financial Statements*—The department-wide financial statements, which are the statements of net position and statement of activities, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which Hewel Ñi'okĩ gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements*—Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Hewel Ñi'okĩ considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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Hewel Ñi'okĩ's only governmental fund is the operating fund, which accounts for all its financial resources.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transactions

Interfund services provided or used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses are accounted for as interfund transactions in the reimbursing fund and as reductions of expenditures/expenses in the funds that are reimbursed.

Capital Assets and Depreciation

Capital assets are presented at historical cost, less accumulated depreciation. Expenditures for additions, improvements, and replacements of capital assets are capitalized while maintenance and repairs, which do not improve or extend the service lives of the respective assets, are expensed as incurred. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$5,000. Depreciation is provided using the straight-line method over estimated useful lives, which is 40 years for buildings, 10 years for broadcast equipment, and 5 years for furniture and vehicles.

Income Taxes

As a department of the Tohono O'odham Nation, Hewel Ñi'okĩ is exempt from federal and state income taxes.

Indirect Administrative Support

Administrative support from the Tohono O'odham Nation (the Nation) consists of the portion of the indirect costs incurred by the Nation and attributable to Hewel Ñi'okĩ's operations including financial management and reporting, human resources, facility and fleet maintenance, purchasing, and information technology support. Administrative support is calculated and recorded as revenue and expense using methods mandated by the Corporation for Public Broadcasting (CPB).

In-Kind Contributions

Hewel Ñi'okĩ receives donated personal services from nonprofessional volunteers. However, these services are not recorded as revenue and expense in the accompanying

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financial statements as there is no objective basis available to measure the value of such services. Hewel N̄i'ok̄i received approximately 916 donated volunteer hours in 2014.

Compensated Absences

Employees of the Nation are granted vacation leave in varying amounts. In the event of termination, an employee is reimbursed for the accumulated vacation leave. All vacation pay is accrued when incurred in the department-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Employees of the Nation are granted nonvesting accumulating sick leave. Upon termination, an employee is not entitled to be paid for the accumulated sick leave. Therefore, sick leave benefits are not accrued.

Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was February 5, 2015.

Budgetary Data

The following procedures are used to establish the revenues and expenditures budget data reported as required supplementary information in the accompanying financial statements:

1. The Budget and Finance Committee, working with department directors, submits a proposed budget to the Nation's Legislative Council for adoption. The Council adopts the budget as submitted or modifies the proposed budget before adopting it.
2. Budget changes must be approved by the Budget and Finance Committee.
3. Funded program budgets and changes are subject to funding agency approval.
4. Appropriations lapse at year-end on the Nation's funded budget.
5. The budget for the Nation is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Net Position and Fund Balances

The difference between fund assets and liabilities is "net position" on the government-wide, proprietary, and fiduciary fund statements, and "fund balance" on governmental fund statements.

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Net position is classified in the following three categories:

- ◆ *Net Investment in Capital Assets*—Consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvements of those assets.
- ◆ *Restricted Net Position*—Restricted net position results when constraints placed on an asset's use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.
- ◆ *Unrestricted Net Position*—Unrestricted net position consists of net position that do not meet the definition of the two preceding categories.

The governmental fund types classify fund balance as follows:

- 1) *Nonspendable*—includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or long-term receivables.
- 2) *Restricted*—includes amounts that can be spent only for the specific purposes imposed by creditors, grantors, contributors, or laws and regulations of other governments. An example is federal grants.
- 3) *Committed*—includes self-imposed limitations on amounts that can be used only for a specific purpose, set in place prior to the end of the period by a formal action of the Nation's highest level of decision-making authority. Commitments established by the Chairman or Legislative Council may be changed or lifted only by an action of the Chairman or Legislative Council, taking the same formal action that imposed the original constraint.
- 4) *Assigned*—comprises amounts intended to be used by for specific purposes. Intent can be expressed by the Chairman or Legislative Council, or by an official, to which the Chairman or Legislative Council delegates the authority. This indicates that resources in governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- 5) *Unassigned*—is the residual classification and includes all amounts not contained in other fund balance classifications. Unassigned amounts are available for any purpose.

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**Notes to Financial Statements**  
**September 30, 2014**

New Accounting Standards

GASB Statement No. 67—In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The statement substantially changes standards for accounting and financial reporting by pension plans that use the GASB financial reporting timework.

GASB Statement No. 68—In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement is effective for the Hewel Ñi'okĩ's fiscal year ending September 30, 2016.

GASB Statement No. 69—In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is effective for Hewel Ñi'okĩ's fiscal year ending September 30, 2016.

GASB Statement No. 70—In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is effective for Hewel Ñi'okĩ's fiscal year ending September 30, 2015.

GASB Statement No. 71—In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement is effective for Hewel Ñi'okĩ's fiscal year ending September 30, 2016.

Implementation is not expected to significantly impact accounting or financial reporting by Hewel Ñi'okĩ.

Deficit Fund Balance

The Operating Fund had a deficit net position balance of (\$2,893) as of September 30, 2014. This deficit will be financed through future revenues of the fund.

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**September 30, 2014**

**2) Capital Assets**

Capital asset activity for the year ended September 30, 2014, is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets being depreciated</i>				
Building	\$ 387,323	\$ -	\$ -	\$ 387,323
Broadcast equipment	168,826	-	-	168,826
Vehicles	30,867	-	-	30,867
Total capital assets being depreciated, at historical cost	<u>587,016</u>	<u>-</u>	<u>-</u>	<u>587,016</u>
Less accumulated depreciation for				
Building	117,004	9,683	-	126,687
Broadcast equipment	157,335	5,356	-	162,691
Vehicles	26,236	4,630	-	30,866
Total accumulated depreciation	<u>300,575</u>	<u>19,669</u>	<u>-</u>	<u>320,244</u>
Total capital assets, net	<u>\$ 286,441</u>	<u>\$ (19,669)</u>	<u>\$ -</u>	<u>\$ 266,772</u>

All depreciation expense is charged to radio station operations.

**3) Due from Nation Balances and Transactions**

At September 30, 2014, the Nation's general fund owed Hewel Ñi'okĩ \$53,483, mainly for unexpended Corporation for Public Broadcasting grant funds received on Hewel Ñi'okĩ's behalf.

In the year ended September 30, 2014, the Nation's general fund transferred \$547,055 to Hewel Ñi'okĩ to support radio station operations.

**Hewel N̄i'ok̄i Radio Station**  
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**September 30, 2014**

**4) Accrued Compensated Absences**

The following is a summary of Hewel N̄i'ok̄i's accrued compensated absences activity for the year ended September 30, 2014:

Balance September 30, 2013	Increase	Balance September 30, 2014	Amount Due Within One Year
<u>\$ 16,670</u>	<u>\$ 5,825</u>	<u>\$ 22,495</u>	<u>\$ -</u>

**5) Indirect Administrative Support**

Indirect support from the Nation consists of allocations of the Nation's institutional support and facility operation costs that benefit Hewel N̄i'ok̄i Radio Station. It is calculated based upon the indirect cost rate that the Nation annually negotiates with the United States Department of Interior, Interior Business Center, and Indirect Cost Services. For the period ended September 30, 2014, the approved negotiated rate applicable to all programs was 20.41%. Hewel N̄i'ok̄i applied this rate to calculate the total value of administrative support provided by the Nation. The fair value of this support is recognized as operating revenue in the statements of activities and governmental fund revenues, expenditures, and changes in fund balance/net position as indirect administrative support for operations and also in operating expenses as Nation administrative support. The combined value of this support was \$152,937 for the year ended September 30, 2014.

**6) Reconciling Amounts**

Total fund deficit of Hewel N̄i'ok̄i's governmental fund of \$(2,893) differs from total net position reported on the statement of net position of \$241,384 because capital assets with a net book value of \$266,772 and accrued compensated absences of \$22,495 are not reported in the funds. Additionally, the increase in fund balance of Hewel N̄i'ok̄i's governmental fund revenues, expenditures and changes in fund balance was \$0, which differs from the decrease in net position reported on the statement of activities of \$25,494, by the amount of depreciation expense of \$19,669, plus the compensated absence liability increase of \$5,825 for the year.

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**Notes to Financial Statements**  
**September 30, 2014**

**7) Risk Management**

Hewel Ñi'okĩ and the Nation are 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 Nation carries commercial insurance for all such risks of loss. Settled claims have not exceeded commercial insurance coverage for any of the previous three years.

**8) Retirement Plan**

The Nation sponsors and administers the Tohono O'odham Nation 401(k) Retirement Plan (the "Plan"). Each employee shall be eligible to make employee voluntary contributions to the Plan on the first Plan enrollment date on or following the initial date of hire, or the day on which the employee attains the age of eighteen years, whichever occurs last. The Nation will contribute 5% of the employee's compensation to an individual account and will match the employee voluntary contributions at 50% of the employee voluntary contributions up to 5% of the employee's compensation. The employee voluntary contributions are fully vested and not forfeitable at any time. The employee contributions are vested after the completion of four years of service by the employee.

During the year ended September 30, 2014, contributions to the Plan by the Nation on behalf of Hewel Ñi'okĩ employees totaled \$23,203, and Hewel Ñi'okĩ employee voluntary contributions totaled \$8,954.

**9) Related Parties**

Hewel Ñi'okĩ's utilities, telephone services, and lease services are provided by the Tohono O'odham Utility Authority. During the year ended September 30, 2014, Hewel Ñi'okĩ's utility, communication expense, and lease expense were approximately \$43,015.

Hewel Ñi'okĩ's solid waste services are provided by Tohono O'odham Solid Waste. During the year ended September 30, 2014, Hewel Ñi'okĩ's solid waste expense was \$1,040.

During the year ended September 30, 2014, Hewel Ñi'okĩ's revenue share expense to Gu Achi District was \$3,146.

## Required Supplementary Information

**Hewel Ñi'okĩ Radio Station**  
**(A Department of the Tohono O'odham Nation)**  
**Budgetary Comparison Schedule—Operating Fund**  
**For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Operating grants	\$ 236,600	\$ 294,605	\$ <b>229,256</b>	\$ (65,349)
Indirect administrative support	36,819	40,505	<b>152,937</b>	112,432
Donations/contributions	6,293	6,293	<b>2,302</b>	(3,991)
Total revenues	<u>279,712</u>	<u>341,403</u>	<u><b>384,495</b></u>	<u>43,092</u>
<b>Expenditures</b>				
Radio station operations				
Salaries	460,203	443,185	<b>438,319</b>	4,866
Fringe benefits	178,790	176,430	<b>139,943</b>	36,487
Nation administrative support	36,819	40,505	<b>152,937</b>	(112,432)
Utilities and communication	75,000	65,000	<b>46,986</b>	18,014
Miscellaneous expenses	68,492	116,066	<b>102,181</b>	13,885
Professional services	40,000	73,319	<b>51,184</b>	22,135
Total expenditures	<u>859,304</u>	<u>914,505</u>	<u><b>931,550</b></u>	<u>(17,045)</u>
Revenues (under) expenditures before transfers	(579,592)	(573,102)	<b>(547,055)</b>	26,047
Transfers from the Nation's general fund	-	-	<b>547,055</b>	547,055
Revenues and transfers (under) expenditures	(579,592)	(573,102)	-	573,102
Fund deficit, beginning of year	-	-	<b>(2,893)</b>	(2,893)
<b>Fund deficit, end of year</b>	<u>\$ (579,592)</u>	<u>\$ (573,102)</u>	<u>\$ <b>(2,893)</b></u>	<u>\$ 570,209</u>

See notes to required supplementary information.

**Hewel Ñi'okĩ Radio Station**  
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**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2014**

**1) Budget Information**

The Nation adopts an annual operating budget for Hewel Ñi'okĩ Radio Station on a basis consistent with accounting principles generally accepted in the United States of America. The Nation does not budget for transfers in and out.