



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

State of Arizona Funding Compact Audit

Diné College, Navajo Nation

Year Ended June 30, 2009



Debra K. Davenport
Auditor General

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Navajo Nation, Diné College—State of Arizona Funding Compact
Report on Audit of Schedule of Revenues, Expenditures,
and Changes in Fund Balance and Report on Compliance
Year Ended June 30, 2009

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Honorable Janice K. Brewer, Governor

Ben Shelly, President, Navajo Nation

Maggie L. George, Ph.D., President, Diné College

We have audited the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance of the Navajo Nation, Diné College—State of Arizona Funding Compact for the year ended June 30, 2009. This schedule is the responsibility of Diné College's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance of the Navajo Nation, Diné College—State of Arizona Funding Compact was prepared for the purpose of complying with Arizona Revised Statutes §42-5031.01, as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Navajo Nation, Diné College—State of Arizona Funding Compact referred to above presents fairly, in all material respects, its revenues, expenditures, and changes in fund balance for the year ended June 30, 2009, on the basis of accounting described in Note 2.

This report is intended solely for the information and use of the addressees and Diné College's management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

November 18, 2011

Navajo Nation, Diné College—State of Arizona Funding Compact
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2009

Revenues:	
Intergovernmental (Note 2)	\$1,750,000
Expenditures:	
Maintenance, renewal, and capital expenses	<u>2,701,808</u>
Excess of revenues over expenditures	(951,808)
Fund balance, July 1, 2008	<u>1,897,948</u>
Fund balance, June 30, 2009	<u>\$ 946,140</u>

See accompanying notes to schedule.

Navajo Nation, Diné College—State of Arizona Funding Compact
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2009

- Note 1 - House Bill 2676 of the 44th Legislature, 1st Regular Session, amended Arizona's tax code to allow transaction privilege tax revenues collected on the Navajo Nation to be distributed to Diné College. Arizona Revised Statutes (A.R.S.) §42-5031.01 restricts the use of this revenue for the maintenance, renewal, and capital expenses of Diné College campuses operating in the State. A.R.S. §42-5031.01 further requires that the State and the Navajo Nation enter into a 10-year compact requiring Diné College to account for the use of these monies. In October 1999, the Navajo Nation entered into this compact. Diné College must reimburse the State, or the State may withhold future payments for any amounts not used for maintenance, renewal, or capital expenses at Diné College campuses operated in the State.
- Note 2 - A.R.S. §42-5031.01(A) and (C) require the Arizona State Treasurer to transfer transaction privilege tax revenues collected on the Navajo Nation to Diné College monthly, not to exceed \$1,750,000 or more than one-tenth of the transaction privilege tax revenues received from all sources located on the Navajo Nation, whichever is less for each fiscal year. The State distributed \$1,750,000 in transaction privilege taxes to Diné College for the year ended June 30, 2009. Expenditures are reported on the schedule for goods and services received during the year ended June 30, 2009, regardless of when payment was made. The schedule includes \$59,360 in expenditures for goods and services received by June 30, 2009, but paid after that date.



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**Independent Accountants' Report on Compliance with the
Navajo Nation, Diné College—State of Arizona Funding Compact**

Members of the Arizona State Legislature

The Honorable Janice K. Brewer, Governor

Ben Shelly, President, Navajo Nation

Maggie L. George, Ph.D., President, Diné College

We have examined Diné College's compliance as to whether its fiscal year 2009 expenditures made from transaction privilege taxes collected on the Navajo Nation and distributed by the Arizona State Treasurer to Diné College pursuant to Arizona Revised Statutes (A.R.S.) §42-5031.01 were used solely for the maintenance, renewal, and capital expenses of Diné College campuses operating in the State of Arizona as prescribed by A.R.S. §42-5031.01. Diné College's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on Diné College's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Diné College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Diné College's compliance with specified requirements.

In our opinion, Diné College complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

This report is intended solely for the information and use of the addressees and Diné College's management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
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