



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Arizona Funding Compact Audit

Diné College, Navajo Nation

Year Ended June 30, 2003



Debra K. Davenport
Auditor General

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Diné College, Navajo Nation
Report on Audit of Schedule of Revenues,
Expenditures, and Changes in Fund Balance of the
State of Arizona Funding Compact
June 30, 2003

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Honorable Janet Napolitano, Governor

Joe Shirley, Jr., President, Navajo Nation

Ferlin Clark, Interim President, Diné College

We have audited the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance of the State of Arizona Funding Compact of Diné College for the year ended June 30, 2003. This schedule is the responsibility of the Navajo Nation's and 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 State of Arizona Funding Compact of Diné College 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 State of Arizona Funding Compact of Diné College referred to above presents fairly, in all material respects, its revenues, expenditures, and changes in fund balance for the year ended June 30, 2003, on the basis of accounting described in Note 2.

This report is intended solely for the information and use of the addressees 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.

Dennis L. Mattheisen, CPA
Financial Audit Director

October 31, 2003

Diné College, Navajo Nation
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance of the State of Arizona Funding Compact
 Year Ended June 30, 2003

Revenues:	
Intergovernmental (Note 2)	\$ 1,750,000
Expenditures:	
Maintenance, renewal, and capital expenses—	
Tsaile campus	1,958,337
Tuba City campus	<u>1,432,587</u>
Total expenditures	<u>3,390,924</u>
Excess of expenditures over revenues	<u>(1,640,924)</u>
Fund balance, July 1, 2002	<u>2,769,254</u>
Fund balance, June 30, 2003	<u>\$1,128,330</u>

See accompanying notes to schedule.

Diné College, Navajo Nation
Notes to Schedule of Revenues, Expenditures, and Changes in
Fund Balance of the State of Arizona Funding Compact
Year Ended June 30, 2003

- Note 1 - House Bill 2676 of the 44th Legislature, 1st Regular Session, amended Arizona's tax code to allow transportation 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 of Arizona. A.R.S. §42-5031.01 further requires that the State of Arizona and the Navajo Nation enter into a 10-year compact prior to the distribution of these revenues. In October 1999, Diné College entered into this compact.
- 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. The transfer of revenues cannot exceed \$1,750,000 in each fiscal year. The revenues reported on the schedule include all transaction privilege taxes remitted by the Arizona State Treasurer to Diné College during the year ended June 30, 2003. Expenditures are reported on the schedule for goods and services received during the year ended June 30, 2003, regardless of when payment was made. The schedule includes \$278,976 in expenditures for goods and services received by June 30, 2003, but paid after that date.
- Note 3 - Diné College must reimburse the State of Arizona, 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.