

# Navajo Nation, Diné College—State of Arizona Funding Compact

Annual Financial Schedule  
and Report on Compliance

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport  
Auditor General





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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 Accountants' Report**

Members of the Arizona State Legislature

The Honorable Doug Ducey, Governor

Russell Begaye, President, Navajo Nation

Dr. Charles Roessel, President, Diné College

We have examined 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, 2016, and the related notes to the schedule. Diné College's management is responsible for this schedule. Our responsibility is to express an opinion on this schedule 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 supporting the amounts and disclosures in the schedule and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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, in all material respects, its revenues, expenditures, and changes in fund balance for the year ended June 30, 2016, based on the criteria described in Note 2.

Jay Zsorey, CPA  
Financial Audit Director

April 28, 2017



**Navajo Nation, Diné College—State of Arizona Funding Compact**  
**Schedule of revenues, expenditures, and changes in fund balance**  
**Year ended June 30, 2016**

**Revenues:**

Intergovernmental (Note 2) \$1,750,000

**Expenditures:**

Maintenance, renewal, and capital expenses 2,166,765

Deficiency of revenue over expenditures (416,765)

Fund balance, July 1, 2015 1,753,001

Fund balance, June 30, 2016 \$1,336,236

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, 2016

#### 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 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 requiring Diné College to account for the use of these monies. In September 2009, the Navajo Nation entered into this compact. 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.

#### 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, 2016. Expenditures are reported on the schedule for goods and services received during the year ended June 30, 2016, regardless of when payment was made. The schedule includes \$5,103 in expenditures for goods and services received by June 30, 2016, 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 Doug Ducey, Governor

Russell Begaye, President, Navajo Nation

Dr. Charles Roessel, President, Diné College

We have examined Diné College's compliance as to whether its fiscal year 2016 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, 2016.

Jay Zsorey, CPA  
Financial Audit Director

April 28, 2017

