

Navajo Nation, Diné College—State of Arizona Funding Compact

Annual Financial Schedule
and Report on Compliance

Year Ended June 30, 2018



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Honorable Doug Ducey, Governor

Jonathan Nez, 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, 2018, and the related notes to the schedule. Diné College's management is responsible for presenting this schedule based on the criteria described in Note 2. Our responsibility is to express an opinion on this schedule based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the schedule is based on the criteria described in Note 2 in all material respects. An examination involves performing procedures to obtain evidence about the schedule. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the schedule referred to above is presented based on the criteria described in Note 2 in all material respects.

Donna Miller, CPA
Director, Financial Audit Division

July 17, 2020

Navajo Nation, Diné College—State of Arizona Funding Compact
Schedule of revenues, expenditures, and changes in fund balance
Year ended June 30, 2018

Revenues:

Intergovernmental \$1,750,000

Expenditures:

Maintenance, renewal, and capital expenditures 817,250

Revenues in excess of expenditures 932,750

Fund balance, July 1, 2017 2,505,280

Fund balance, June 30, 2018 \$3,438,030

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, 2018

Note 1

Arizona Revised Statutes (A.R.S.) §42-5031.01 allows transaction privilege tax revenues collected on the Navajo Nation to be transferred to Diné College. The statute restricts the use of this revenue for the maintenance and renewal of buildings and infrastructure and capital construction costs of new buildings, structures, and site improvements expenditures of Diné College campuses operating in the State of Arizona. It also requires that the State of Arizona and the Navajo Nation enter into a 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 expenditures at Diné College campuses operated in the State.

Note 2

The schedule of revenues, expenditures, and changes in fund balance is presented based on the revenue and expenditure criteria described in A.R.S. §42-5031.01(A) and (C). Under this statute, the Arizona State Treasurer is required to transfer transaction privilege tax revenues collected on the Navajo Nation to Diné College monthly. In each fiscal year, no more than \$1,750,000 or one-tenth of the transaction privilege tax revenues received from all sources located on the Navajo Nation, whichever is less, may be transferred. The State transferred \$1,750,000 in transaction privilege taxes to Diné College for the year ended June 30, 2018. Maintenance, renewal, and capital asset expenditures include goods and services received during the year ended June 30, 2018, regardless of when payment was made. The schedule includes \$110,356 in expenditures for goods and services received by June 30, 2018, but paid for 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

Jonathan Nez, President, Navajo Nation

Dr. Charles Roessel, President, Diné College

We have examined Diné College's compliance as to whether during the year ended June 30, 2018, 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 expenditures 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 the specified requirements. Our responsibility is to express an opinion on Diné College's compliance with the specified requirements based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Diné College complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Diné College complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Diné College's compliance with the specified requirements.

In our opinion, Diné College complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2018.

Donna Miller, CPA
Director, Financial Audit Division

July 17, 2020

