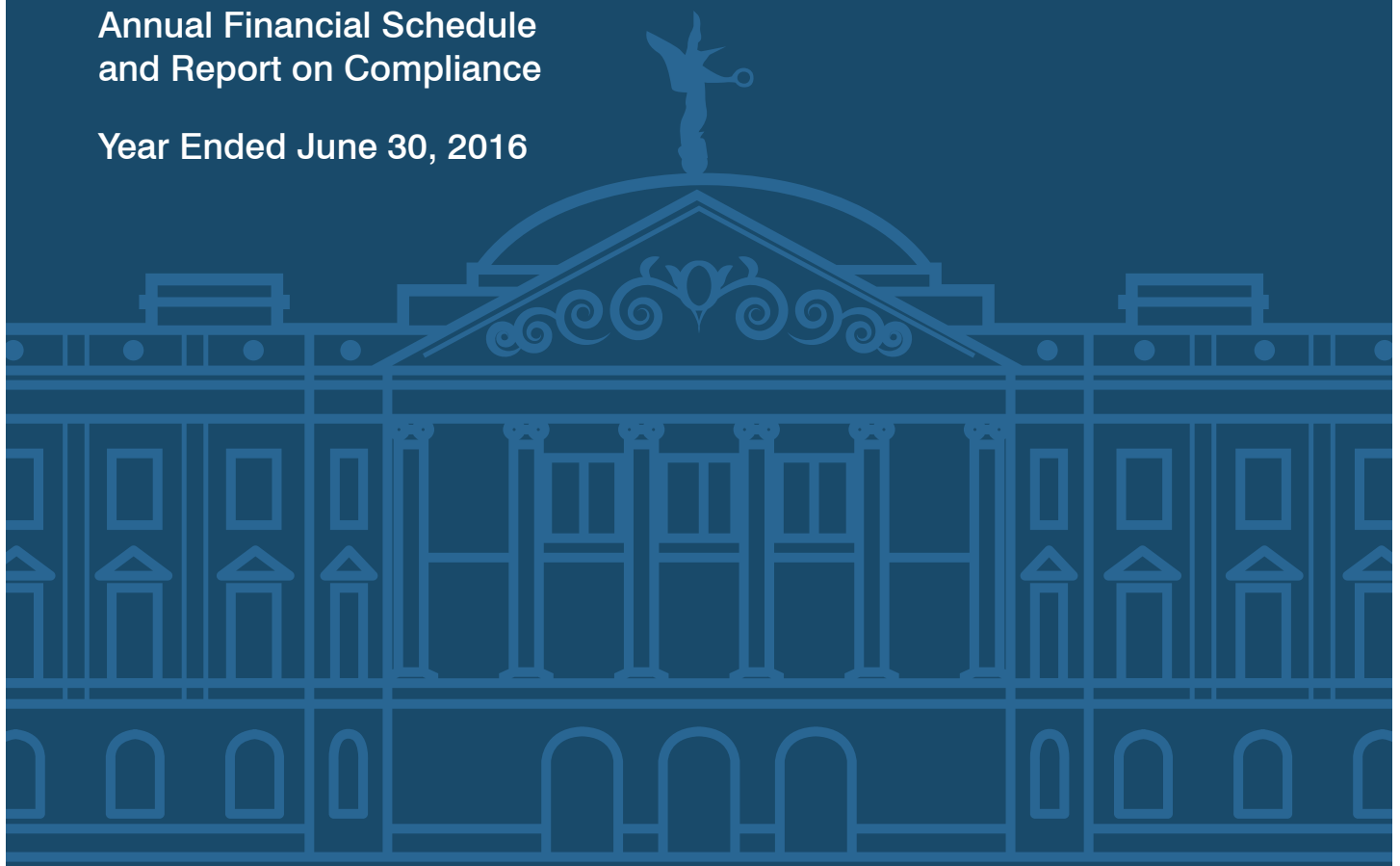


# Navajo Nation, Navajo Technical University— State of Arizona Funding Compact

Annual Financial Schedule  
and Report on Compliance

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport  
Auditor General





The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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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. Elmer Guy, President, Navajo Technical University

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Navajo Nation, Navajo Technical University—State of Arizona Funding Compact for the year ended June 30, 2016, and the related notes to the schedule. Navajo Technical University'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, Navajo Technical University—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, Navajo Technical University—  
State of Arizona Funding Compact**  
Schedule of revenues, expenditures, and changes in fund balance  
Year ended June 30, 2016

**Revenues:**

Intergovernmental (Note 2)	\$ 875,000
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**Expenditures:**

Maintenance, renewal, and capital expenses	<u>30,506</u>
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Excess of revenues over expenditures	844,494
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Fund balance, July 1, 2015	<u>1,750,000</u>
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Fund balance, June 30, 2016	<u>\$2,594,494</u>
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See accompanying notes to schedule.

**Navajo Nation, Navajo Technical University—  
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 community 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, and in March 2014, an amendment to the compact was made to include Navajo Technical University (University). The University 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 the University's 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 the University monthly, not to exceed \$875,000 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 \$875,000 in transaction privilege taxes to the University 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. There were no expenditures for goods and services received by June 30, 2016, but paid after that date.





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**STATE OF ARIZONA**  
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**MELANIE M. CHESNEY**  
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**Independent accountants' report on compliance with the  
Navajo Nation, Navajo Technical University—State of Arizona Funding Compact**

Members of the Arizona State Legislature

The Honorable Doug Ducey, Governor

Russell Begaye, President, Navajo Nation

Dr. Elmer Guy, President, Navajo Technical University

We have examined Navajo Technical University'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 Navajo Technical University pursuant to Arizona Revised Statutes (A.R.S.) §42-5031.01 were used solely for the maintenance, renewal, and capital expenses of Navajo Technical University campuses operating in the State of Arizona as prescribed by A.R.S. §42-5031.01. Navajo Technical University's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on Navajo Technical University'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 Navajo Technical University'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 Navajo Technical University's compliance with specified requirements.

In our opinion, Navajo Technical University 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

