



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Arizona Funding Compact Audit

**Diné College,  
Navajo Nation**

Year Ended June 30, 2002

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**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, 2002**

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DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report**

Members of the Arizona State Legislature

The Honorable Jane Dee Hull, Governor

Kelsey A. Begaye, President, Navajo Nation

Cassandra Manuelito-Kerkvliet, 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, 2002, pursuant to Arizona Revised Statutes §42-5031.01. 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 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 accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the State of Arizona Funding Compact of Diné College presents fairly, in all material respects, the revenues, expenditures, and changes in fund balance for the year ended June 30, 2002.

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

September 20, 2002

**Diné College, Navajo Nation**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance of the State of Arizona Funding Compact**  
**Year Ended June 30, 2002**

<b>Revenues:</b>	
Intergovernmental (Note 2)	\$1,750,000
<b>Expenditures:</b>	
Maintenance, renewal, and capital expenses—	
Tsailie campus	45,975
Tuba City campus	<u>221,302</u>
Total expenditures	<u>267,277</u>
Excess of revenues over expenditures	<u>1,482,723</u>
Fund balance, July 1, 2001	<u>1,286,531</u>
Fund balance, June 30, 2002	<u><u>\$2,769,254</u></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, 2002**

- Note 1** - House Bill 2676 of the 44th Legislature, 1<sup>st</sup> 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, 2002.
- 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.
- Note 4** - The expenditures reported on the Schedule include \$40,371 incurred prior to June 30, 2002, but paid subsequent to that date.
- Note 5** - During the year ended June 30, 2002, Diné College awarded a contract for \$1,156,755 to design and build a permanent campus at Tuba City.