

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

Annual Financial Schedule
and Report on Compliance

Year Ended June 30, 2019



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. 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, 2019, and the related notes to the schedule. Navajo Technical University'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

August 20, 2020

Navajo Nation, Navajo Technical University—
 State of Arizona Funding Compact
 Schedule of revenues, expenditures, and changes in fund balance
 Year ended June 30, 2019

Revenues:	
Intergovernmental	\$ 875,000
Interest earned	<u>24,430</u>
Total revenues	<u>899,430</u>
Expenditures:	
Maintenance, renewal, and capital expenditures	<u>0</u>
Revenues in excess of expenditures	899,430
Fund balance, July 1, 2018	<u>4,355,475</u>
Fund balance, June 30, 2019	<u>\$5,254,905</u>

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, 2019

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 Navajo Technical University. The statute restricts the use of this revenue for the maintenance and renewal of buildings and infrastructure and capital construction of new buildings, structures, and site improvements expenditures of Navajo Technical University campuses operating in the State of Arizona. It also requires that the State of Arizona and the Navajo Nation enter into a compact requiring Navajo Technical University to account for the use of these monies. In March 2014, the Navajo Nation entered into this compact. Navajo Technical University must reimburse the State of Arizona, or the State may withhold future payments, for any amounts not appropriately used for maintenance, renewal, or capital expenditures at Navajo Technical University 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 Navajo Technical University monthly. In each fiscal year, no more than \$875,000 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 \$875,000 in transaction privilege taxes to Navajo Technical University for the year ended June 30, 2019. Maintenance, renewal, and capital asset expenditures may include goods and services received during the year ended June 30, 2019, regardless of when payment was made.



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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

Jonathan Nez, President, Navajo Nation

Dr. Elmer Guy, President, Navajo Technical University

We have examined Navajo Technical University's compliance as to whether during the year ended June 30, 2019, 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 expenditures 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 the specified requirements. Our responsibility is to express an opinion on Navajo Technical University'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 Navajo Technical University complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Navajo Technical University 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 Navajo Technical University's compliance with the specified requirements.

In our opinion, Navajo Technical University complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2019.

Donna Miller, CPA
Director, Financial Audit Division

August 20, 2020

