

Navajo County Community College District (Northland Pioneer College)

Annual Budgeted Expenditure
Limitation Report

Year Ended June 30, 2022

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General’s mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office 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.

The Joint Legislative Audit Committee

Representative **Matt Gress**, Vice Chair
Representative **Tim Dunn**
Representative **Alma Hernandez**
Representative **Beverly Pingerelli**
Representative **Marcelino Quiñonez**
Representative **Ben Toma** (ex officio)

Senator **Sonny Borrelli**, Chair
Senator **Eva Diaz**
Senator **David C. Farnsworth**
Senator **Anthony Kern**
Senator **Juan Mendez**
Senator **Warren Petersen** (ex officio)

Audit Staff

Melanie M. Chesney, Deputy Auditor General and Acting Director, Financial Audit Division
Victoria Fisher, Manager

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



TABLE OF CONTENTS

Independent accountants' report	1
Annual Budgeted Expenditure Limitation Report—Part I	3
Annual Budgeted Expenditure Limitation Report—Part II	4
Notes to Annual Budgeted Expenditure Limitation Report	5



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Governing Board of
Navajo County Community College District

Annual Budgeted Expenditure Limitation Report

We have examined the accompanying Annual Budgeted Expenditure Limitation Report (report) of Navajo County Community College District for the year ended June 30, 2022, and the related notes to the report. The District's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Accountants' responsibilities

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 this report is presented in accordance with the Uniform Expenditure Reporting System in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Opinion

In our opinion, the Annual Budgeted Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

Emphasis of matters

As described on Part I of the report, the District reported it intentionally violated Arizona Constitution, Article IX, §21, and exceeded its expenditure limitation by \$775,152 for the year ended June 30, 2022. In lieu of the penalties prescribed in A.R.S. §41-1279.07(l) for exceeding the expenditure limitation, the District's penalty will be reduced to \$5,000 pursuant to Laws 2021, Ch. 421. Although the District has sufficient prior-year unexpended carryforward revenues available for it to use to be under the expenditure limitation, the District did not use these carryforward revenues although it has had a longstanding historical practice of doing so. Our opinion is not modified with respect to this matter.

As described in Note 7 of the report, the District restated its tuition and fees exclusions for fiscal years 2019 and 2021 to correct misstatements in its previously issued Annual Budgeted Expenditure Limitation Reports. Our opinion is not modified with respect to this matter.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

August 2, 2023

**Navajo County Community College District
(Northland Pioneer College)
Annual Budgeted Expenditure Limitation Report—Part I
Year ended June 30, 2022**

1. Economic Estimates Commission expenditure limitation	\$15,503,375
2. Total amount subject to the limitation (from Part II, Line C)	<u>16,278,527</u>
3. Amount in excess of the expenditure limitation	<u>\$ (775,152)</u>

The District claimed enough exclusions to have the amount in excess of the expenditure limitation to be an amount that allows the District to take advantage of the reduced penalty under Laws 2021, Ch. 421, Sec. 1(A)(1) (House Bill 2373).

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the Uniform Expenditure Reporting System.

Signature of chief fiscal officer: (Signature removed for website presentation)

Name and title: Maderia Ellison, Vice President for Administrative Services/Chief Financial Officer

Telephone number: (928) 532-6743 Date: August 2, 2023

See accompanying notes to report.

**Navajo County Community College District
(Northland Pioneer College)
Annual Budgeted Expenditure Limitation Report—Part II
Year ended June 30, 2022**

Description	Current funds			Plant funds	
	Unrestricted		Restricted	Unexpended	Total
	General	Auxiliary enterprises			
A. Total budgeted expenditures	\$ 23,225,122	\$ 223,391	\$ 7,279,367	\$ 8,907,690	\$ 39,635,570
B. Less exclusions claimed:					
Dividends, interest, and gains on the sale or redemption of investment securities	335,563		18	6,848	342,429
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts (Note 2)	35,203		6,348,584	319,700	6,703,487
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes			323,417		323,417
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 3)				7,976,857	7,976,857
Contracts with other political subdivisions or tribal governments (Note 2)	2,478,267				2,478,267
Tuition and fees (Note 4)	3,766,111	113,610			3,879,721
Refunds, reimbursements, and other recoveries (Note 4)	38,474				38,474
Amounts earned through research and entrepreneurial activities (Note 4)	438,834	4,009	7,095		449,938
Amounts received from the State of Arizona for workforce development in accordance with A.R.S. §15-1472			600,253		600,253
Prior years carryforward (Note 5)				564,200	564,200
Total exclusions claimed	<u>7,092,452</u>	<u>117,619</u>	<u>7,279,367</u>	<u>8,867,605</u>	<u>23,357,043</u>
C. Amounts subject to the expenditure limitation	<u>\$ 16,132,670</u>	<u>\$ 105,772</u>	<u>\$ -</u>	<u>\$ 40,085</u>	<u>\$ 16,278,527</u>

See accompanying notes to report.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Annual Budgeted Expenditure Limitation Report
Year ended June 30, 2022**

Note 1 - Summary of significant accounting policies

The Annual Budgeted Expenditure Limitation Report (ABELR) is presented as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes (A.R.S.) §41-1279.07. The ABELR excludes expenditures of certain revenues specified by the Arizona Constitution, Article IX, §21, and A.R.S. §§15-792.03, 15-795.01, 15-1444, and 15-1472, as applicable, from the total budgeted expenditures.

The information reported in both the ABELR and the financial statements is derived from the same underlying accounting data. However, the formats of the ABELR and the financial statements differ. The ABELR presents budgeted expenditures, exclusions, and amounts subject to the limitation by fund type as required by A.R.S. §41-1279.07. The financial statements present the net position, changes in net position, and cash flows in accordance with U.S. generally accepted accounting principles.

In accordance with UERS requirements, a note to the ABELR is presented below for any exclusion reported in the total column on part II that cannot be traced directly to an amount reported on the annual financial statements.

Note 2

The following schedule presents revenues from which exclusions have been claimed for government grants, aid, contributions, and contracts:

Statement of revenues, expenses, and changes in net position—primary government:

Government contracts	\$ 2,478,267
Government grants	5,442,154
State appropriations	<u>13,584,833</u>
Total	<u>\$21,505,254</u>

Annual Budgeted Expenditure Limitation Report:

Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts	\$ 6,703,487
Contracts with other political subdivisions or tribal governments	<u>2,478,267</u>
Total exclusions claimed	9,181,754
Other revenues (nonexcludable)	<u>12,323,500</u>
Total	<u>\$21,505,254</u>

Note 3

Of the \$10,221,361 reported as purchase and construction of capital assets on the statement of cash flows—primary government, \$7,976,857 was expended from amounts authorized and accumulated for purchasing land and purchasing or constructing building or improvements and was therefore claimed as an exclusion.

**Navajo County Community College District
 (Northland Pioneer College)
 Notes to Annual Budgeted Expenditure Limitation Report
 Year ended June 30, 2022**

Note 4

The District does not budget tuition and fees revenue net of scholarship allowances. The following schedule presents revenues from which exclusions have been claimed for tuition and fees, bookstore income, amounts earned through research and entrepreneurial activities, and refunds, reimbursements, and other recoveries, which are included in other revenues:

Statement of revenues, expenses and changes in net position—primary government:

Tuition and fees (gross)	\$3,809,536
Bookstore income (gross)	70,185
Other sales and service	80,716
Other operating revenues	<u>407,696</u>
Total	<u>\$4,368,133</u>

Annual budgeted expenditure limitation report:

Tuition and fees	\$3,879,721
Amounts earned through research and entrepreneurial activities	449,938
Refunds, reimbursements, and other recoveries	<u>38,474</u>
Total	<u>\$4,368,133</u>

Note 5

Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current years as follows:

Description

Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	\$564,200
---	-----------

**Navajo County Community College District
(Northland Pioneer College)
Notes to Annual Budgeted Expenditure Limitation Report
Year ended June 30, 2022**

Note 6

Revenues that are constitutionally excludable and unexpended in the year of receipt may be accumulated and excluded in future years. A summary of the excludable revenue sources and the changes in those balances is shown in the table below.

<u>Description</u>	<u>Balance July 1, 2021 as restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>
Dividends, interest, and gains on the sale or redemption of investment securities	\$ 353,404			\$ 353,404
Grants, aid, or contributions from the federal government, the State of Arizona, other political subdivisions, tribal governments, or special taxing districts	761,635			761,635
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	905,580		\$564,200	341,380
Tuition and fees	<u>31,121,733</u>			<u>31,121,733</u>
Total carryforward	<u>\$33,142,352</u>	<u>\$ -</u>	<u>\$564,200</u>	<u>\$32,578,152</u>

Note 7

During the 2019 and 2021 fiscal years, the District excluded \$970,025 and \$429,615, respectively, of tuition and fees that should have been carried forward. As a result, the District is restating its tuition and fees exclusions for fiscal years 2019 and 2021 and carrying forward the remaining amounts of \$970,025 and \$429,615, respectively, to future years as follows.

	Fiscal Year	
	<u>2019</u>	<u>2021</u>
Economic Estimates Commission expenditure limitation	\$14,288,001	\$15,268,903
Amount subject to the expenditure limitation, as previously reported	13,317,976	14,839,288
Plus: Adjustment to tuition and fees exclusion previously reported	<u>970,025</u>	<u>429,615</u>
Amount subject to the expenditure limitation, as restated	<u>\$14,288,001</u>	<u>\$15,268,903</u>
Amount under the expenditure limitation, as restated	<u>\$ -</u>	<u>\$ -</u>

The following presents the restatement to the exclusion claimed for tuition and fees:

	Fiscal Year	
	<u>2019</u>	<u>2021</u>
Tuition and fees exclusion claimed, as previously reported	\$ 5,163,382	\$ 4,577,998
Less: Tuition and fees revenues carried forward to future years, as restated	<u>970,025</u>	<u>429,615</u>
Tuition and fees exclusion claimed, as restated	<u>\$ 4,193,357</u>	<u>\$ 4,148,383</u>

