

A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

**Navajo County
Community College
District**

(Northland Pioneer College)

Year Ended June 30, 2003



Debra K. Davenport
Auditor General

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Navajo County Community College District
(Northland Pioneer College)
Single Audit Reporting Package
Year Ended June 30, 2003

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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 Governing Board of
Navajo County Community College District

We have audited the accompanying basic financial statements of Navajo County Community College District as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Navajo County Community College District as of June 30, 2003, and the changes in financial position and cash flows of the District for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages i through viii is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dennis L. Mattheisen, CPA
Financial Audit Director

May 19, 2006



Northland Pioneer College

Management's Discussion and Analysis

This discussion and analysis introduces the basic financial statements and provides an overview of the District's financial activities for the year ended June 30, 2003. Please read it in conjunction with the financial statements, which immediately follow.

Basic Financial Statements

The District's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No.34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments" and Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." These statements allow for the presentation of the District's financial activity in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise or a not-for profit organization. The basic financial statements consist of the following:

The *Statement of Net Assets* reflects the financial position of the District at June 30, 2003. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents institutional equity or ownership in the total assets of the District. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* reflects the results of operations and other changes for the year ended June 30, 2003. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net assets amount to the ending net assets amount, which is shown on the *Statement of Net Assets* described above.

The *Statement of Cash Flows* presents the inflows and outflows of cash and cash equivalents for the year ended June 30, 2003. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the *Statement of Net Assets* described above. In addition, this statement reconciles cash flows from operating activities to the operating loss on the *Statement of Revenues, Expenses and Changes in Net Assets* described above.

Financial Highlights and Analysis

Consistent with its mission, the District improves lives by creating access to quality learning and cultural opportunities through four campuses and six education centers. Major funding sources

supporting all functions include property taxes and state appropriations, which together represent approximately 62 percent of the total revenues for the District.

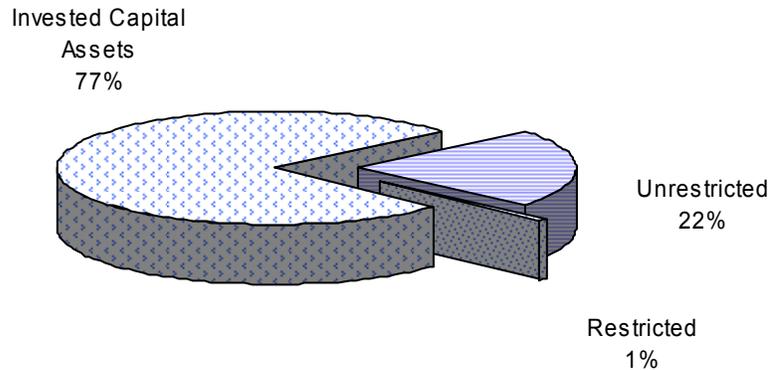
The District exercises primary and secondary property tax levy authority for generation of funds used for operating, capital equipment, and debt retirement purposes. Overall, the District's financial position continues to improve. The District's overall financial position improved in fiscal year 2003. The assets of the District exceeded its liabilities at the close of the fiscal year by \$27,491,111. Included in this amount is \$6,071,297, which may be used to meet the District's ongoing mission of providing learning opportunities throughout northeastern Arizona.

The condensed financial information below highlights the main categories of the *Statement of Net Assets*. Current assets are resources available to meet the operating needs of the District. Net assets are divided into three categories reflecting the broad characteristics of institutional equity in the assets of the District. In addition to the District's capital assets, the District holds resources that have been restricted by external parties for specific programs or purposes. The remaining net assets are unrestricted but are dedicated to the primary mission of the District. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Condensed Financial Information

Condensed Statement of Net Assets			
	2003	2002	% Change
Assets:			
Current assets	\$ 8,359,704	\$12,236,333	-32%
Noncurrent assets, other than capital assets	127,997	119,116	7%
Capital assets, net	31,125,780	24,971,290	25%
Total assets	<u>\$39,613,481</u>	<u>\$37,327,539</u>	6%
Liabilities:			
Long-term liabilities	\$10,231,669	\$ 11,368,907	-10%
Other liabilities	1,890,701	1,069,871	76%
Total liabilities	<u>\$12,122,370</u>	<u>\$12,438,778</u>	-3%
Net Assets:			
Invested in capital assets, net of related debt	\$ 21,170,780	\$13,846,290	53%
Restricted net assets	249,034	4,518,166	-95%
Unrestricted net assets	6,071,297	6,524,305	-7%
Total net assets	<u>\$27,491,111</u>	<u>\$24,888,761</u>	10%

Net Assets by Category



The decrease in current assets, along with the increase in other liabilities was a result of new construction by the District. The recording of construction in progress activity also increased net capital assets and the amount invested in capital assets net of related debt. Restricted net assets decreased as restricted funds were used to pay for construction projects. Total net assets increased by \$2,602,350 over the previous fiscal year due primarily to new construction.

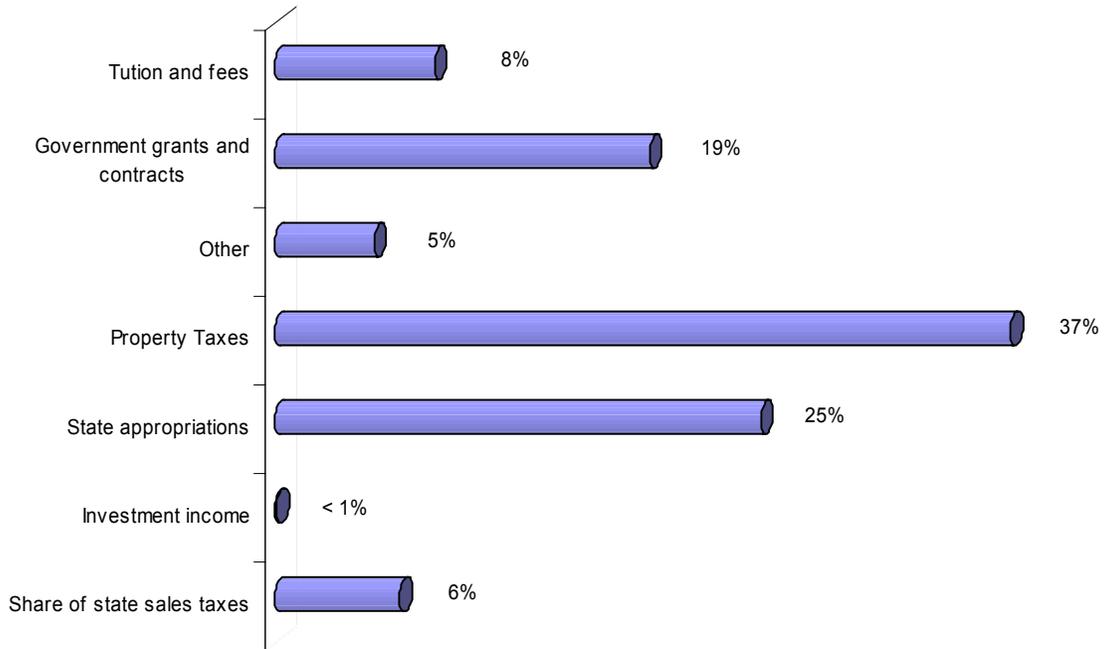
The condensed financial information on the next page highlights the main categories of the *Statement of Revenues, Expenses, and Changes in Net Assets*. Generally, revenues generated by the District for instruction and public service are considered operating revenues. Other revenues not generated from operations, such as state appropriations and property taxes, are considered nonoperating revenues. In compliance with U.S. generally accepted accounting principles, scholarships applied to tuition and fees are recorded as an offset to operating revenues, instead of being reported as an expense to the District.

Depreciation expense is recorded in accordance with the adoption of the economic resources measurement focus. The construction and acquisition of capital assets, although budgeted and tracked as expenditures in the accounting system, are not reflected as expenses in these statements. Such transactions are instead capitalized and reported as assets, with the systematic depreciation of the costs expensed over the useful lives of the assets constructed or acquired. The District shows an operating loss because the two largest revenue sources, property taxes and state appropriations, are considered nonoperating revenues. Please refer to the Summary of Significant Accounting Policies (Note 1), which directly follows the presentation of the basic financial statements, for a description of the differences between operating and nonoperating revenues.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2003</u>	<u>2002</u>	% Change
Revenues:			
Operating			
Tuition and fees (net of allowances)	\$ 1,807,443	\$ 1,988,767	-9%
Government grants and contracts	4,244,707	3,531,127	20%
Other	1,125,043	988,367	14%
Nonoperating			
Property taxes	8,335,387	7,721,034	8%
State appropriations	5,500,100	5,463,100	1%
Investment income	17,326	347,415	-95%
Share of state sales taxes	1,413,078	1,402,897	1%
Total revenues	<u>22,443,084</u>	<u>21,442,707</u>	5%
Expenses:			
Operating	19,705,726	18,969,750	4%
Nonoperating	<u>601,508</u>	<u>643,862</u>	-7%
Total expenses	<u>20,307,234</u>	<u>19,613,612</u>	4%
Income before other revenues	2,135,850	1,829,095	17%
Capital appropriations	<u>466,500</u>	<u>408,800</u>	14%
Increase in net assets	2,602,350	2,237,895	16%
Total net assets, July 1	<u>24,888,761</u>	<u>22,650,866</u>	10%
Total net assets, June 30	<u><u>\$27,491,111</u></u>	<u><u>\$24,888,761</u></u>	10%

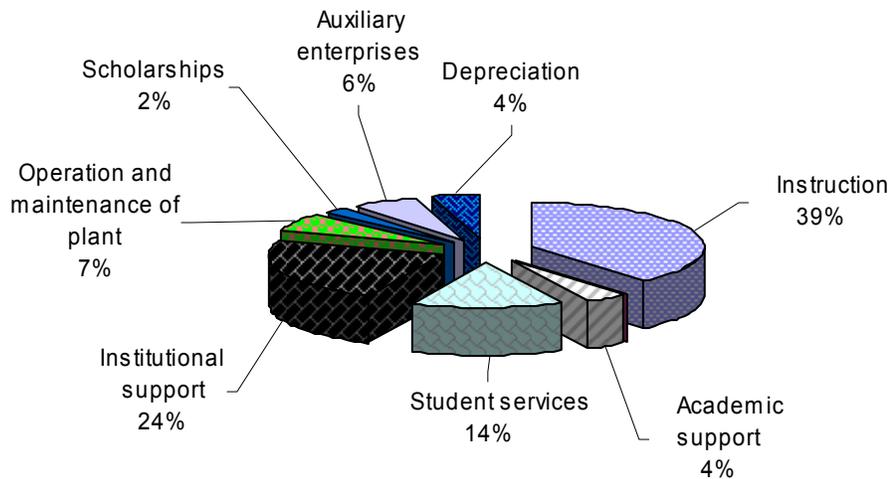
Revenues by Source



While enrollment continued to grow, the decrease in tuition and fees was attributable to a larger deduction for allowances resulting from additional financial aid. Government grants and contracts reflect an increase in grants received for the year and increases in federal financial aid to students. Property tax increases were credited to the continued growth in assessed valuation along with an increase in the property tax rate. Investment income decreased due to the recognition of a \$229,997 loss in the State of Arizona Local Government Investment Pool. The loss is the result of investments in National Century Financial Enterprises, which became insolvent and filed for bankruptcy. The District has joined with the State and other investors in litigation to recover these investments.

	<u>2003</u>	<u>2002</u>	% Change
Operating Expenses			
Educational and general:			
Instruction	\$ 7,669,348	\$ 6,329,425	21%
Public service	9,222	68,106	-86%
Academic support	770,450	689,971	12%
Student services	2,788,184	3,147,567	-11%
Institutional support	4,638,889	4,905,884	-5%
Operation & maintenance of plant	1,278,507	1,310,687	-2%
Scholarships	469,945	599,527	-22%
Auxiliary enterprises	1,230,360	1,113,381	11%
Depreciation	850,821	805,202	6%
Total operating expenses	<u>19,705,726</u>	<u>18,969,750</u>	4%
Non-operating Expenses			
Interest expense on debt	601,508	643,862	-7%
Total non-operating expenses	<u>601,508</u>	<u>643,862</u>	-7%
Total Expenses	<u>\$20,307,234</u>	<u>\$19,613,612</u>	4%

Operating Expenses by Category



Operating expenses in 2003 for instruction and academic support increased due to salary increases of 9% for faculty and 3.5% for all other employees. In addition, several instructional programs expanded. Operating expenses for student services, institutional support, and operations and maintenance of plant decreased due to restructuring and consolidation. Instruction and student services were also impacted by a change in recording tuition allowance, which reduced instruction expenses in 2002 but were charged against student services and scholarships in 2003. On January 1, 2003, the District joined the Navajo County Schools Employee Benefit Trust for the provision of employee health insurance, which is expected to continue to reduce the cost of health insurance in the future.

Capital Assets and Debt Administration

The District regularly updates its Capital Project Development Plan. The plan describes new construction and renovation projects. During the fiscal year construction was completed on a major renovation project of the Goldwater Center at the White Mountain Campus in Show Low. The Goldwater Center houses class rooms, the campus bookstore, and faculty offices. Funding for these projects was derived primarily from property taxes and capital state aid.

Moveable fixed assets (equipment) and all other capital assets, except land and construction in progress, are reported net of accumulated depreciation in accordance with reporting standards issued by GASB. This has the effect of reducing total capital assets in the financial statements. Depreciation expense totaled \$850,821 for the year, and is shown as an operating expense on the *Statement of Revenues, Expenses, and Changes in Net Assets*.

At June 30, 2003, the District had two debt issues outstanding, one general obligation bond originally issued for \$15,600,000 with \$8,740,000 outstanding that is funded from secondary property taxes, and one certificate of participation originally issued for \$2,410,000 with \$1,215,000 outstanding that is funded primarily from tuition and fees. No additional long-term debt was issued during the fiscal year. Additional information on the District's long-term debt can be found in Note 4 to the basic financial statements.

Current Factors Having Probable Future Financial Significance

It is anticipated that state appropriations will continue to decline as a percentage of total revenue. The District will continue to pursue program funding from external sources such as federal and local grants and contracts, along with community and business partnerships. It will continue to be necessary to shift additional financial responsibility for education to students in the form of tuition and fees and to local communities in the form of property taxes.

The District qualified for equalization aid totaling \$1,289,800 for the fiscal year, with that amount being included in the state appropriations total. Equalization aid is becoming a more important revenue source for the District.

Proposition 301 was passed by the voters at the general election on November 7, 2000. The proposition increased the state transaction (sales) tax rate by six-tenths of one percent for twenty years. The District received \$413,078 during the second year of this funding for workforce development activities and \$1,000,000 in campus matching funds. The campus matching funds

will not continue for the District beyond this fiscal year. It is anticipated that the District will continue to receive workforce development funds for the next eighteen years.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Navajo County Community College District's finances for all those with an interest in such matters. Questions concerning any of the information provided in the basic financial statements or requests for additional information should be addressed to Administrative Services, Northland Pioneer College, P.O. Box 610, Holbrook, Arizona 86025.

Navajo County Community College District
(Northland Pioneer College)
Statement of Net Assets
June 30, 2003

Assets

Current assets:	
Cash and cash equivalents	\$ 168,042
Investments	5,234,260
Receivables (net of allowances for uncollectibles):	
Accounts	64,230
Property taxes	398,241
Government grants and contracts	337,052
Student loans	1,206,900
Inventories	950,485
Prepaid items	494
Total current assets	<u>8,359,704</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	12,414
Property taxes receivable	115,583
Capital assets, not being depreciated	8,304,269
Capital assets, being depreciated, net	<u>22,821,511</u>
Total noncurrent assets	<u>31,253,777</u>
Total assets	<u>39,613,481</u>

Liabilities

Current liabilities:	
Accounts payable	1,527,796
Accrued payroll and employee benefits	305,525
Deposits held in custody for others	22,614
Deferred revenues	34,766
Current portion of compensated absences payable	270,544
Current portion of long-term debt	<u>1,235,000</u>
Total current liabilities	<u>3,396,245</u>
Noncurrent liabilities:	
Compensated absences payable	6,125
Long-term debt	<u>8,720,000</u>
Total noncurrent liabilities	<u>8,726,125</u>
Total liabilities	<u>12,122,370</u>

Net Assets

Invested in capital assets, net of related debt	21,170,780
Restricted:	
Nonexpendable—endowments	12,414
Expendable:	
Scholarships	76,771
Grants and contracts	159,849
Unrestricted	<u>6,071,297</u>
Total net assets	<u>\$27,491,111</u>

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2003

Operating revenues:	
Tuition and fees, net of scholarship allowances of \$510,632	\$ 1,807,443
Government grants and contracts	4,244,707
Private grants and contracts	293,500
Bookstore income, net of scholarship allowances of \$252,141	656,086
Dormitory rentals and fees, net of scholarship allowances of \$37,351	13,649
Other sales and services	60,644
Other	<u>101,164</u>
Total operating revenues	<u>7,177,193</u>
Operating expenses:	
Educational and general:	
Instruction	7,669,348
Public service	9,222
Academic support	770,450
Student services	2,788,184
Institutional support	4,638,889
Operation and maintenance of plant	1,278,507
Scholarships	469,945
Auxiliary enterprises	1,230,360
Depreciation	<u>850,821</u>
Total operating expenses	<u>19,705,726</u>
Operating loss	<u>(12,528,533)</u>
Nonoperating revenues (expenses):	
Property taxes	8,335,387
State appropriations	5,500,100
Share of state sales taxes	1,413,078
Investment income:	
Interest and dividends	247,323
Net decrease in fair value of investments	(229,997)
Interest expense on debt	<u>(601,508)</u>
Total nonoperating revenues	<u>14,664,383</u>
Income before other revenues, expenses, gains, or losses	<u>2,135,850</u>
Capital appropriations	466,500
Increase in net assets	<u>2,602,350</u>
Total net assets, July 1, 2002	<u>24,888,761</u>
Total net assets, June 30, 2003	<u><u>\$ 27,491,111</u></u>

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Statement of Cash Flows
Year Ended June 30, 2003

Cash flows from operating activities:	
Tuition and fees	\$ 1,458,024
Grants and contracts	4,538,206
Bookstore receipts	484,743
Dormitory rentals and fees	13,649
Other receipts	149,612
Payments to suppliers and providers of goods and services	(4,225,144)
Payments to employees	(12,232,178)
Payments to students for scholarships	<u>(1,622,132)</u>
Net cash used for operating activities	<u>(11,435,220)</u>
Cash flows from noncapital financing activities:	
Property taxes	6,724,704
State appropriations	5,500,100
Share of state sales taxes	413,078
Deposits held in custody for others received	28,613
Deposits held in custody for others disbursed	<u>(30,432)</u>
Net cash provided by noncapital financing activities	<u>12,636,063</u>
Cash flows from capital and related financing activities:	
Property taxes	1,568,049
Capital appropriations	466,500
Share of state sales tax	1,000,000
Principal paid on capital debt	(1,170,000)
Interest paid on capital debt	(601,508)
Payments made to contractors	(5,822,720)
Purchases of capital assets	<u>(1,449,436)</u>
Net cash used for capital and related financing activities	<u>(6,009,115)</u>
Cash flows from investing activities:	
Interest received on investments	247,323
Net decrease in fair value of investments	<u>(229,997)</u>
Net cash provided by investing activities	<u>17,326</u>
Net decrease in cash and cash equivalents	(4,790,946)
Cash and cash equivalents, July 1, 2002	<u>10,205,662</u>
Cash and cash equivalents, June 30, 2003	<u>\$ 5,414,716</u>

(Continued)

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Statement of Cash Flows
Year Ended June 30, 2003
(Continued)

Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (12,528,533)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	850,821
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	(12,196)
Student loans receivable	(520,763)
Inventories	(346,804)
Accounts payable	1,142,024
Compensated absences payable	32,762
Decrease in:	
Accrued payroll and employee benefits	<u>(52,531)</u>
Net cash used for operating activities	<u>\$ (11,435,220)</u>
Reconciliation of cash and cash equivalents, as presented on the Statement of Net Assets:	
Cash and cash equivalents	\$ 168,042
Investments	5,234,260
Restricted assets:	
Cash and cash equivalents	<u>12,414</u>
Total cash and cash equivalents, June 30, 2003	<u>\$ 5,414,716</u>

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Navajo County Community College District conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity.

The financial activities of the Northland Pioneer College Foundation are not included in the District's financial statements. The Foundation is a nonprofit corporation controlled by a separate board of directors. The Foundation's goals are to promote educational programs and District objectives.

B. Basis of Presentation and Accounting

The basic financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets, net of related debt represents the net value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from providing instructional, public, and auxiliary services, which is consistent with the District's mission. Accordingly, revenues such as tuition, educational grants, and book store, food service, and dormitory charges are considered to be operating revenues.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

Other revenues, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

A statement of cash flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Internal activity is eliminated.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The District follows FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The District has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

C. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and investments in the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

D. Inventories

Inventories are stated at lower of cost (first-in, first-out method) or market.

E. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at estimated fair value at the time received.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$5,000	Not applicable	Not applicable
Buildings	5,000	straight-line	10-40 years
Improvements other than buildings	5,000	straight-line	40 years
Equipment	5,000	straight-line	5-10 years
Library books	All	straight-line	10 years

F. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of investments.

G. Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 224 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at the end of August are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees. Therefore, a liability for sick leave benefits is not accrued in the financial statements.

H. Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services provided by the District and the amount that is paid by the student or third parties making payments on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the District are considered to be scholarship allowances. These allowances are netted against tuition and fees revenues in the statement of revenues, expenses, and changes in net assets.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

Note 2 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) require the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. Although not statutorily required, the District has also chosen to deposit other public monies in its custody with the County Treasurer.

Deposits—At June 30, 2003, the carrying amount of the District's deposits was \$171,281, and the bank balance was \$1,902,507. Of the bank balance, \$228,728 was covered by federal depository insurance; \$1,656,040 was covered by collateral held by the pledging financial institution's trust department or agent in the District's name; and \$17,739 was uninsured and uncollateralized.

Investments—At June 30, 2003, the District's investments consisted of the following:

	Fair Value
Cash and investments held by the County Treasurer	\$1,955,746
Investment in State Treasurer's investment pool	<u>3,278,514</u>
Total	<u>\$5,234,260</u>

The District's investment in the State or County Treasurer's investment pools represents a proportionate interest in those pools' portfolios; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk.

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provided for shares.

A reconciliation of cash and investments to amounts shown on the Statement of Net Assets follows:

Cash and investments:		Statement of Net Assets:	
Cash on hand	\$ 9,175	Cash and cash equivalents	\$ 168,042
Carrying amount of deposits	171,281	Current investments	5,234,260
Reported amount of investments	<u>5,234,260</u>	Restricted assets:	
Total	<u>\$5,414,716</u>	Cash and cash equivalents	<u>12,414</u>
		Total	<u>\$5,414,716</u>

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$ 809,291			\$ 809,291
Construction in progress (estimated cost to complete \$2,072,022)	<u>1,900,128</u>	<u>\$6,166,138</u>	<u>\$571,288</u>	<u>7,494,978</u>
Total capital assets not being depreciated	<u>2,709,419</u>	<u>6,166,138</u>	<u>571,288</u>	<u>8,304,269</u>
Capital assets being depreciated:				
Buildings	20,600,510	506,370	96,000	21,010,880
Equipment	2,426,194	599,146	700,161	2,325,179
Improvements other than buildings	4,693,405	286,197		4,979,602
Library books	<u>490,116</u>	<u>55,994</u>	<u>43,199</u>	<u>502,911</u>
Total capital assets being depreciated	<u>28,210,225</u>	<u>1,447,707</u>	<u>839,360</u>	<u>28,818,572</u>
Less accumulated depreciation for:				
Buildings	3,188,349	504,826	78,000	3,615,175
Equipment	1,778,337	84,245	680,915	1,181,667
Improvements other than buildings	745,782	220,965		966,747
Library books	<u>235,886</u>	<u>40,785</u>	<u>43,199</u>	<u>233,472</u>
Total accumulated depreciation	<u>5,948,354</u>	<u>850,821</u>	<u>802,114</u>	<u>5,997,061</u>
Total capital assets being depreciated, net	<u>22,261,871</u>	<u>596,886</u>	<u>37,246</u>	<u>22,821,511</u>
Capital assets, net	<u>\$24,971,290</u>	<u>\$6,763,024</u>	<u>\$608,534</u>	<u>\$31,125,780</u>

During the fiscal year ended June 30, 2003, the District reclassified \$90,568 of improvements previously recorded as "Buildings" as "Improvements other than Buildings."

Note 4 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2003:

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due within 1 year
Compensated absences payable	<u>\$ 243,907</u>	<u>\$267,188</u>	<u>\$ 234,426</u>	<u>\$ 276,669</u>	<u>\$ 270,544</u>
General obligation bonds	\$ 9,745,000		\$1,005,000	\$8,740,000	\$1,060,000
Certificates of participation payable	<u>1,380,000</u>		<u>165,000</u>	<u>1,215,000</u>	<u>175,000</u>
Total long-term debt	<u>\$11,125,000</u>		<u>\$1,170,000</u>	<u>\$9,955,000</u>	<u>\$1,235,000</u>

Bonds—In July 1995, the District issued \$15,600,000 of general obligation bonds, with an average interest rate of 5.36 percent. The proceeds were used to construct permanent educational facilities, finance various telecommunication equipment and improvements to other existing equipment, and pay costs relating to the issuance of the bonds. The District repays general obligation bonds from voter-approved property taxes. The bonds maturing on or before July 1, 2004, are not subject to redemption prior to maturity. The bonds maturing on or after July 1, 2005, are subject to redemption prior to maturity.

Bonds outstanding at June 30, 2003, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
General obligation bonds, Series 1995	\$15,600,000	2004-10	5.0%-5.4%	\$8,740,000

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2003:

Year ending June 30	General Obligation Bonds	
	Principal	Interest
2004	\$1,060,000	\$ 449,425
2005	1,115,000	396,425
2006	1,175,000	339,560
2007	1,240,000	278,460
2008	1,310,000	212,740
2009-10	<u>2,840,000</u>	<u>215,000</u>
Total	<u>\$8,740,000</u>	<u>\$1,891,610</u>

Certificates of participation—In April 1994, the District issued \$2,410,000 in certificates of participation with an average interest rate of 6.17 percent. Of the total proceeds, \$1,500,000 was used to construct a classroom building in Show Low, Arizona, and the remaining

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

\$910,000 was obligated to advance refund outstanding series 1990 revenue bonds by placing it in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2003, \$670,000 of defeased bonds is outstanding.

The certificates are generally callable with interest payable semiannually. Certificates outstanding at June 30, 2003, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Certificates of participation, Series 1994	\$2,410,000	2004-09	6.0%-6.55%	\$1,215,000

The following schedule details debt service requirements to maturity for the District's certificates of participation payable at June 30, 2003:

Year ending June 30,	Principal	Interest
2004	\$ 175,000	\$ 77,142
2005	180,000	66,468
2006	195,000	55,308
2007	210,000	43,022
2008	220,000	29,583
2009	<u>235,000</u>	<u>7,696</u>
Total	<u>\$1,215,000</u>	<u>\$279,219</u>

Note 5 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; and injuries to employees. The District participates with seven other Arizona community college districts and more than 200 Arizona School districts in the Arizona School Risk Retention Trust, Inc., a public entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, automobile, boiler and machinery, and commercial crime risks. The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any one year. The District will be charged for any such assessment in the following year. The District has never been charged such an assessment. The District also carries commercial insurance for other risks of loss, including workers' compensation, accidental death and dismemberment for students and employees, employee travel, and extended reporting for errors and omissions, as well as commercial health insurance through January 8, 2003. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

The District was unable to obtain health coverage at a cost it considers to be economically justifiable, therefore, effective January 9, 2003, the District joined the Navajo County Schools Employee Benefit Trust (Trust), together with other school districts in the state for risks of loss related to employee health and accident claims. The Trust is a public entity risk pool operating as a common risk management and insurance program for ten member school districts. The Trust is funded by irrevocable contributions from the District for employee coverage and from employees for dependent coverage. The Trust, which is managed by a separate board of directors, allows the fund to be self-funded, insured, or both. Additionally, if the Trust becomes insolvent, the District would be assessed, on a pro-rata basis, an additional assessment not to exceed the amount of the annual contribution. Should the District withdraw from the Trust, it would then be responsible for its proportional share of claims and would forfeit all rights to the return of any surplus, unearned contributions, or other legally permitted distributions from the Trust. Whether the District withdraws or the Trust becomes insolvent, the District remains liable for assessments for liabilities of the Trust incurred during the District's period of membership in the Trust.

Note 6 Retirement Plan

Plan description—The District contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding policy—The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2003, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The District's contributions to the System for the years ended June 30, 2003, 2002, and 2001, were \$200,772, \$172,244, and \$175,974, respectively, which were equal to the required contributions for the year.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2003

Note 7 Operating Expenses

The District's operating expenses are presented by functional classification in the Statement of Revenues, Expenses, and Changes in Net Assets. The operating expenses can also be classified into the following:

Personal services	\$12,013,453
Contract services	2,700,490
Supplies and other services	2,161,673
Communications and utilities	1,067,427
Depreciation	850,821
Scholarships	469,945
Other	441,917
Total	<u>\$19,705,726</u>

Supplementary Information

Navajo County Community College District
(Northland Pioneer College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Labor			
Passed through White Mountain Apache Tribe WIA Adult Program	17.258	B51605008155	<u>\$ 36,739</u>
U.S. Small Business Administration			
Passed through Maricopa County Community College District Small Business Development Center	59.037	3-603001-Z-0003-11	<u>103,665</u>
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		51,790
Federal Work-Study Program	84.033		88,547
Federal Pell Grant Program	84.063		<u>1,924,959</u>
Total Student Financial Assistance Cluster			<u>2,065,296</u>
Higher Education—Institutional Aid	84.031		246,553
Fund for the Improvement of Postsecondary Education	84.116		55,091
Passed through the Arizona Department of Education			
Adult Education—State Grant Program	84.002	03FAEABE-370595-02A	208,609
Vocational Education—Basic Grants to States	84.048	03FCTDBG-370595-04A	258,702
Tech-Prep Education	84.243	03FCTDTP-370595-03A	135,549
Passed through Arizona Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	84.069	203PE334	<u>74,071</u>
Total U.S Department of Education			<u>3,043,871</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 3,184,275</u></u>

See accompanying notes to schedule.

Navajo County Community College District
(Northland Pioneer College)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Navajo County Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the 2003 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

The District did not provide federal awards to subrecipients during the year ended June 30, 2003.



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Governing Board of
Navajo County Community College District

We have audited the basic financial statements of Navajo County Community College District as of and for the year ended June 30, 2003, and have issued our report thereon dated May 19, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-01 and 03-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 03-01 to be a material weakness. We also noted other matters involving internal control over financial reporting that we will report to the District's management in a separate letter at a future date.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we will report to the District's management in a separate letter at a future date.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, federal awarding agencies, and pass-through entities 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

May 19, 2006



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Governing Board of
Navajo County Community College District

Compliance

We have audited the compliance of Navajo County Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Navajo County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, federal awarding agencies, and pass-through entities 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

May 19, 2006

Navajo County Community College District
(Northland Pioneer College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

	Yes	No
Material weakness identified in internal control over financial reporting?	<u>X</u>	<u> </u>

Reportable condition identified not considered to be a material weakness?	<u>X</u>	<u> </u>
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Noncompliance material to the financial statements noted?	<u> </u>	<u>X</u>
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Federal Awards

Material weakness identified in internal control over major programs?	<u> </u>	<u>X</u>
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Reportable condition identified not considered to be a material weakness?	<u> </u>	<u>X</u> (None reported)
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Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> </u>	<u>X</u>
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	<u> </u>	<u>X</u>
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Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u> </u>	<u>X</u>
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Navajo County Community College District
(Northland Pioneer College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Financial Statement Findings

03-01

The district controller had incompatible cash-related responsibilities

The district controller transferred cash between accounts and funds, reconciled bank accounts, was an authorized check signer, prepared journal entries, and maintained accounting records. Allowing one person to have these incompatible responsibilities creates the potential for cash to be lost or stolen without being detected by other employees in the normal course of performing their jobs.

The District should separate cash-handling and recordkeeping responsibilities among employees. If the District controller must have all these responsibilities, an administrator should review and approve the transfers, monthly bank reconciliations, and journal entries.

03-02

The District's information system lacked adequate information technology controls

The District did not establish the necessary information technology controls to secure its information system from unauthorized access to hardware or software and provide for adequate recovery in the event of a disaster or systems failure. We noted several control deficiencies that could make the District's information system and data vulnerable to unauthorized changes or loss in case of disaster. Specifically, the District Information Technology group:

Access and physical security

- Did not separate operations and programming responsibilities since two programmers had access to all information system resources.
- Did not limit access to payroll and personnel modules. As a result, employees in the payroll and personnel departments could add new employees, change pay rates, and process payroll. Furthermore, payroll checks were electronically signed in the payroll department and were received and distributed by payroll department employees.
- Lacked written procedures for the physical security of computer equipment and for computer-related emergencies.
- Did not require users to change their passwords on a periodic basis.

Backup and disaster recovery

- Did not complete its disaster recovery plan for processing critical jobs in the event of a major hardware or software failure or maintain the necessary forms to be used in case of a disaster.
- Did not store the backup tape at an offsite facility. Additionally, the backup tapes were stored openly on a shelf with only smoke detectors as a safeguard.

Navajo County Community College District
(Northland Pioneer College)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Protecting information system resources and processing information on secure systems with provisions for optimum recovery from potential threats are essential to effective district management. Therefore, the District should prepare, implement, and maintain written procedures that, at a minimum, address the following:

- Limitations on computer access or procedures for review if limitations to computer access is not feasible
- Procedures for the physical security of computer equipment and changing passwords
- Backup data and program files
- Each employee's duties and responsibilities
- Data recovery site location
- Recovery procedures for each critical system
- Provisions for regular system testing



Northland Pioneer College

14 June 2006

Debbie Davenport
Auditor General
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport,

The following is Navajo County Community College District's response to the financial statement findings for the fiscal year ended June 30, 2003.

The District controller performed incompatible cash-related duties.

As of October 2004, several mitigating controls are in place to ensure that the combining of cash-handling and record keeping functions does not create a potential loss to the District.

- Bank transfers require the participation of two individuals.
- A check log is maintained and reviewed independently of the controller.
- The business office manager reviews all journal entries prepared by the controller.
- An administrator reviews all monthly bank reconciliations prepared by the controller.

The District will continue to review its procedures related to the District controller performing cash-handling and recordkeeping functions.

The District's information system lacked adequate information technology controls.

Procedures in the areas of physical security controls, program change controls, database controls and backup/recovery controls have been implemented. A procedure manual that includes each of the following controls is being updated and will be maintained.

- Administrative review controls to address the inability to completely separate operations and programming duties.
- Physical security of computer equipment, including computer-related emergencies.
- Disaster recovery plan for processing critical jobs, including a mirrored database in a separate physical location and an HDR (High Availability Data Replication) system.
- The use of a fire-safe cabinet for backup tapes.
- Database logging, database audit functions and software revision control.

Navajo County Community College District
P.O. Box 610
Holbrook Arizona 86025-0610
1-800-266-7845

We express appreciation to the Office of the Auditor General for the professional activities of your audit staff and their assistance in identifying areas of concern along with the recommendations for improvement. We appreciate the ongoing involvement of the Office of the Auditor General in this important function.

Sincerely,

V. Blaine Hatch
Vice President for Administrative Services