

Notice of Board Activity

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Navajo County Community College District Governing Board (Board) and to the general public that Board members may gather, in numbers that constitute a quorum, on Tuesday, January 15, 2013 between 8:45 a.m. and 9:45 a.m. to receive open meeting law training from College attorney. The event will be held prior to the regular District Governing Board meeting at the Painted Desert Campus located at 2251 E. Navajo Boulevard, Holbrook, Arizona.

The Board will take no action at the training. Any questions can be directed to the Office of the President at (928) 524-7418 or (800) 266-7845, Ext. 7418.

I, Lisa Jayne, certify that this notice of Board activity, prepared pursuant to A.R.S. § 38-431.02, was posted on or before the 14th day of January, 2013, at 8:45 a.m.

Lisa Jayne, Recording Secretary to the Board

Notice
Distribution

1. WHITE MOUNTAIN INDEPENDENT NEWSPAPER
2. HOLBROOK TRIBUNE-NEWS & SNOWFLAKE HERALD NEWSPAPERS
3. NAVAJO TIMES
4. NAVAJO-HOPI OBSERVER
5. KINO RADIO
6. KNNB RADIO
7. KQAZ/KTHQ RADIO
8. KRVZ RADIO
9. KTNN RADIO
10. KUYI RADIO
11. KWKM RADIO
12. WHITE MOUNTAIN RADIO
13. NPC WEB SITE
14. NPC ADMINISTRATORS AND STAFF
15. NPC FACULTY ASSOCIATION PRESIDENT
16. NPC CLASSIFIED AND ADMINISTRATIVE SUPPORT ORGANIZATION PRESIDENT
17. NPC STUDENT GOVERNMENT ASSOCIATION PRESIDENT



Northland Pioneer College

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Notice of Public Meeting

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Navajo County Community College District Governing Board (Board) and to the general public that the Board will hold a regular District Governing Board Meeting open to the public on January 15, 2013 beginning at 10:00 a.m. The meeting will be held at the Northland Pioneer College Painted Desert Campus, Tiponi Community Center meeting room, located at 2251 E. Navajo Blvd., Holbrook, Arizona.

One or more Board members and/or staff members may participate in the meeting by telephone if necessary.

The public is invited to check on addenda that may be posted up to 24 hours prior to the meetings. Copies of the meeting agenda may be obtained through the Office of the President, Northland Pioneer College, Painted Desert Campus, 2251 E. Navajo Blvd., Holbrook, AZ, telephone (928) 524-7418 or (800) 266-7845 Ext. 7418, at least 24 hours in advance of the meeting. If any disabled person needs any type of accommodation, please notify Lisa Jayne at the above address or telephone number at least 24 hours prior to the scheduled time.

The Board may vote to hold an executive session for the purpose of obtaining legal advice from the District's attorney on any matter listed on the agenda pursuant to A.R.S. §38-431.03 (A)(3). Should the District's attorney not be present in person, notice is further given that the attorney may appear by speakerphone.

I, Lisa Jayne, certify that this notice of public meeting, prepared pursuant to A.R.S. § 38-431.02, was posted on or before the 14th day of January 2013, at 10:00 a.m.

Lisa Jayne, Recording Secretary to the Board

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8. KRZV RADIO
9. KTNN RADIO
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Amended Governing Board Meeting Agenda

Painted Desert Campus, Tiponi Community Center
2251 East Navajo Boulevard, Holbrook, Arizona

Date: January 15, 2013

Time: 10:00 a.m. (MST)

<u>Item</u>	<u>Description</u>	<u>Resource</u>
1.	Call to Order and Pledge of Allegiance.....	Secretary Handorf
2.	Adoption of the Agenda(Action)	Secretary Handorf
3.	Election of Board Officers.....(Action)	Secretary Handorf
4.	Call for Public Comment.....	Chairman
	Individuals may address the Board on any relevant issue for up to 5 minutes. At the close of the call to the public, Board members may not respond to any comments but may respond to criticism, ask staff to review a matter or ask that a matter be placed on a future agenda.	
5.	Reports:	
A.	Financial Position	Vice President Hatch
B.	CASO.....	Ina Sommers
C.	NPC Faculty Association	Kenny Keith
D.	NPC Student Government Association	Melissa Luatua
E.	NPC Foundation	Lance Chugg
6.	Consent Agenda..... (Action)	Chairman
A.	December 18, 2012 General Meeting Minutes	
B.	Dual Enrollment Intergovernmental Agreement with Red Mesa USD #27	
7.	Old Business:	
A.	Ratification of December 18, 2012, Vote to Accept Board Member Resignation (Action)	President Swarthout
B.	Swearing-in of Prescott Winslow for District 2 (Action)	Chairman
8.	New Business:	
A.	Request to Approve New Construction Trades Degree & Certificate Programs..... (Action)	Vice President Vest
B.	Request to Approve Coconino Association for Vocations, Industry and Technology (CAVIAT) Intergovernmental Agreement (Action)	Vice President Hatch
C.	Request to Approve Hearing Officer (Action)	Vice President Hatch
D.	Request to Approve Adjustment to Fiscal Year 2011-2012 Adopted Budget..... (Action)	Vice President Hatch
E.	Request to Accept the Single Audit Reporting Package for the Fiscal Year ended June 30, 2012 Highlight Full Report (Action)	Vice President Hatch
F.	2013-2014 Budget Development Update	Vice President Hatch
9.	Standing Business:	
A.	Strategic Planning and Accreditation Steering Committee Report....	Director Bishop
B.	Human Resources Update	Director Hokanson
C.	President's Report.....	President Swarthout
10.	Board Report/Summary of Current Events	Board Members
11.	Announcement of Next Regular MeetingFebruary 19, 2013	Chairman
12.	Adjournment	Chairman

The District Governing Board may consider any item on this agenda in any order and at any time during the meeting. The District Governing Board may take action to approve, or may take other action, regarding all items of New Business, Old Business, Standing Business, or the President's Report. The Board may vote to hold an executive session for the purpose of obtaining legal advice from the District's attorney on any matter listed on the agenda pursuant to A.R.S. §38-431.03 (A)(3).

Should the District's attorney not be present in person, notice is further given that the attorney may appear by speakerphone.

One or more Board members and/or staff members may participate in the meeting by speakerphone, if necessary.



Northland Pioneer College

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NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT

Statement of Financial Position

For the period

July 1, 2012 to November 30, 2012

Budget Period Expired 42%

Tax Supported Funds				
General Unrestricted				
	Current Month			
	Budget	Actual	Y-T-D Actual	%
REVENUES				
Primary Tax Levy	13,167,562	3,015,119	7,036,464	53%
State Aid:				
Maintenance and Operations	1,689,700		844,850	50%
Capital				
Equalization	5,367,100		2,685,050	50%
Out of County Reimbursement	600,000			0%
Tuition and Fees	5,300,000	641,821	1,854,315	35%
Investment earnings	125,000	10,876	82,553	66%
Grants and Contracts	1,000,000		220,725	22%
Other Miscellaneous	200,000	13,620	79,449	40%
Transfers:	(11,750,000)	(937,763)	(4,852,067)	41%
TOTAL REVENUES	\$15,699,362	\$2,743,673	\$7,951,338	51%
EXPENDITURES				
Salaries and Wages	16,491,627	1,360,885	5,892,642	36%
Operating Expenditures	7,508,620	481,270	2,584,042	34%
Capital Expenditures	199,115	58,531	88,335	44%
TOTAL EXPENDITURES	\$24,199,362	\$1,900,686	\$8,565,019	35%
Unrestricted Plant				
	Current Month			
	Budget	Actual	Y-T-D Actual	%
REVENUES				
State Aid:				
Capital	0	0	0	
Other Miscellaneous				
Transfers:	11,000,000	916,667	4,583,333	42%
TOTAL REVENUES	\$11,000,000	\$916,667	\$4,583,333	42%
EXPENDITURES				
Salaries and Wages				
Operating Expenditures				
Capital Expenditures	11,085,000	767,954	3,503,368	32%
TOTAL EXPENDITURES	\$11,085,000	\$767,954	\$3,503,368	32%

NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT

Statement of Financial Position

For the period July 1, 2012 to November 30, 2012 Budget Period Expired 42%

Restricted and Auxiliary Funds

	Restricted			
	Current Month			
	Budget	Actual	Y-T-D Actual	%
REVENUES				
Grants and Contracts	5,400,000	197,915	2,000,320	37%
Donations				
Transfers:	600,000		199,960	33%
TOTAL REVENUES	\$6,000,000	\$197,915	\$2,200,280	37%
EXPENDITURES				
Salaries and Wages	768,269	91,528	361,324	47%
Operating Expenditures	5,081,731	43,811	1,765,751	35%
Capital Expenditures	150,000		10,629	7%
TOTAL EXPENDITURES	\$6,000,000	\$135,339	\$2,137,704	36%
	Auxiliary			
	Current Month			
	Budget	Actual	Y-T-D Actual	%
REVENUES				
Sales and Services				
Bookstore	125,000	4,579	54,408	44%
Other	225,000	13,203	62,078	28%
Donations				
Transfers:	150,000	21,096	68,774	46%
TOTAL REVENUES	\$500,000	\$38,878	\$185,260	37%
EXPENDITURES				
Salaries and Wages	355,524	25,771	100,881	28%
Operating Expenditures	144,476	13,107	84,379	58%
Capital Expenditures				
TOTAL EXPENDITURES	\$500,000	\$38,878	\$185,260	37%

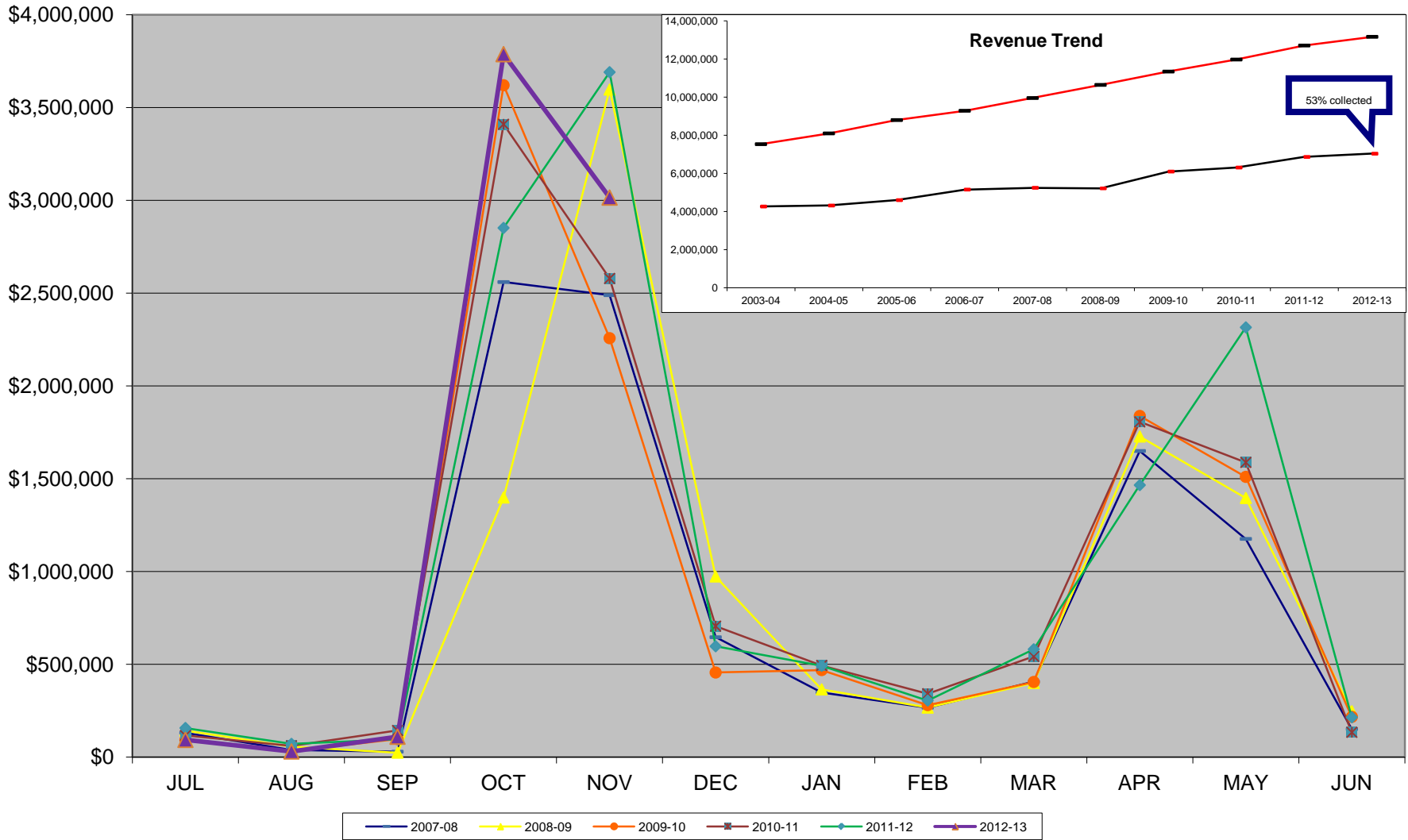
Cash Flows

Cash flows from all activities (YTD)	\$14,920,212
Cash used for all activities (YTD)	\$14,391,351
Net Cash for all activities (YTD)	\$528,861

Net Cash used for GF activities (YTD) **\$613,681**

Unrestricted Fund Balance available for GF operations: \$8,500,000 93% remaining

Monthly Primary Property Tax Receipts



Navajo County Community College District Governing Board Meeting Minutes

December 18, 2012 – 10:00 a.m.
Painted Desert Campus, Tiponi Community Center
2251 East Navajo Boulevard, Holbrook, Arizona

Governing Board Member Present: Mr. Bill Jeffers, Ms. Ginny Handorf, Mr. Daniel Peaches, Mr. James Matteson

Staff Present: President Jeanne Swarhout; Vice President Blaine Hatch; Vice President Mark Vest; Information Services Director Eric Bishop; Institutional Effectiveness Director Dr. Leslie Wasson; Recording Secretary to the Board Lisa Jayne.

Others Present: Peggy Belknap, Stuart Bishop, Maderia Ellison, Everett Robinson, Melissa Luatua, Ann Hess, LaRee Saline, Tammie Pete, Sandra Johnson, Kenny Keith, Ken Wilk, Eric Henderson, Beulah Bob-Pennypacker

Agenda Item 1: Call to Order and Pledge of Allegiance

Chairman Jeffers called the meeting to order at 10:00 a.m. Mr. Jeffers led the Pledge of Allegiance. Mr. Jeffers welcomed James Matteson the District's newly appointed board member.

Agenda Item 2: Adoption of Agenda

Ms. Handorf moved to adopt the agenda as presented. Mr. Peaches seconded the motion. *The vote was unanimous in the affirmative.*

Agenda Item 3: Call for Public Comment

None

Agenda Item 4: Reports

Financial Position – Vice President Hatch

Vice President Hatch summarized the financial position report to the Board, stating the College is at 33% of budget expired.

Tax levy – October's receipts were slightly higher than expected at 30% collected at this point in the fiscal year.

State Aid – The College has received a 2nd quarterly allotment, so 50% of State Aid has been collected. Tuition and fees are at 23% collected. Transfers are at 33%, revenues on a budget of \$15.7 million stand at \$5.2 million or 33% attributed to the General Fund.

Expenditures - Salaries at 27%, operating expenditures 28%, and capital expenditures at 15% for a total of just under \$6.7 Million on a budget of \$24.2 million.

Unrestricted Plant Fund - Only the revenues transferred from the general fund as that is the only source of revenues for fund. Expenditures are at \$2.7 million of an \$11 million budget.



Restricted Fund – Revenues of just over \$2 million, and they are matched as a result of transferring in \$155,000 from the general fund.

Auxiliary Fund - Expenditures and revenues match due to a \$41,000 transfer from the General Fund. All transfers are at anticipated levels.

Year to date, cash flow is just over \$11 million, and cash used for all activities is about eleven and a half million dollars. \$525,000 from Unrestricted Fund balance and \$8.6 of Unrestricted Fund balance was budgeted.

Chairman Jeffers took the opportunity to introduce the District 4 board member, **Frank Lucero**, who was also sworn in just before the board meeting began.

Mr. Jeffers acknowledged the late arrive of **Ladybird Jack**, the newly appointed member from District 2. With the Board’s permission Mr. Jeffers proceeded to swear in Ladybird Jack at this time.

NPC CASO – Ina Sommers

None

Faculty Association– Kenny Keith

Kenny Keith, President of the Faculty Association, addressed the Board and stated faculty were busy getting end of semester grades in. He discussed the local parades that the Welding Department built floats for. The metal can project in Show Low was also very well received. Kenny Keith wished the Board Merry Christmas and a Happy New Year.

Sandy Johnson, faculty, thanked Bill Jeffers for his service and for his respect of the Faculty, staff, and administration.

NPC Student Government Association- Tammy Pete

Melissa Luatua introduced Vice President of SGA, Tammy Pete, who addressed the Board and stated SGA was given donations to purchase turkeys for Thanksgiving and they were given to The Shepard’s Kitchen. SGA helped the Welding Department construct a float for the Show Low Christmas Light Parade and won first place in the Non-Profit category. SGA sponsored a tree in the Town of Snowflake which they decorated; it was a regular tree and is located on Temple Drive. SGA had a Holiday Food Drive and had a donation box at every campus and center and donated all the food to a food bank in each community where the box was collected. Tammy Pete wished the Board a Happy Holiday and New Year.

Melissa Luatua thanked Bill Jeffers for his support and encouragement of SGA and wished him the best.

NPC Foundation- Lance Chugg

None

Agenda Item 5: Consent Agenda

Navajo Community College District Governing Board Meeting – 12/18/12 – Page 2 of 11



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November 19, 2012, regular meeting minutes.

Mr. Peaches moved to approve the minutes. Ms. Handorf seconded the motion. *The vote was unanimous in the affirmative.*

Agenda Item 6: Old Business

Enrollment Report – Vice President Vest gave a history of the Enrollment Report to the Board and clarified the acronyms and data provided in the report. He stated there is a 3.6% decline in enrollment this semester and believe the decline is reflective of the economic downturn.

NAVIT and Dual Enrollment have not had much change. NAVIT did have decline in general education coursework. White Mountain Campus is down from Fall of 373 FTSE in Fall of 2011 to 313 in Fall 2012. St. Johns Center and Silvercreek Campus show increases during this time. This is reflective of nursing assistant classes being moved from White Mountain Campus to Silvercreek Campus. Overall departmentally based enrollment decline shows that anything that involves direct employment is flat or has an increase. Arts and Sciences area which is general education coursework has an enrollment decline reflecting a need for immediate employment training versus seeking a degree.

Vice President Vest noted that the state average of decline is more like 6%, and NPC enrollment levels would be similar if over the last year the College had not worked with the Navajo County Sheriff's Office and local law enforcement agencies to create a law enforcement academy at Northeast Arizona Training Center in Snowflake, which generated 33 FTE. This, combined with other program changes and additions has kept enrollment up. There were no questions for Vice President Vest.

*Mr. Jeffers broke from business for a moment to request that **Ladybird Jack** refrain from voting for the rest of the meeting as he had just been informed by the Superintendent of Schools' Office that there was a potential problem of her residency in District 2. She agreed.

Agenda Item 7: New Business

7.A. Adopt Strategic Plan 2013-2016

Director Bishop gave a history of the strategic planning process for the Board. Director Bishop stated since the first read in November, nothing substantive was changed in the plan except for updated core components, updated dates, and the glossary. Director Bishop stated that staff recommends the Board pass the plan as proposed.

Bill Jeffers asked that staff explain Pillar 6.4 goals.

Vice President Hatch stated that Priority 4 of Pillar 6 is to evaluate and implement the Higher Education President's Climate Commitment. This was approved four or five years ago and the College's commitment there is to make regular and continual progress in this area, there are no particular timeline or deadlines, other than the College be actively involved in promoting climate leadership activities.



Navajo Community College District Governing Board Meeting – 12/18/12 – Page 3 of 11

Northland Pioneer College

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Mr. Jeffers stated he knew that included energy saving type issues, recycling program, but wanted to know if there was anything else anticipated to be implemented.

President Swarthout stated that a solar wall for the new skillcenter was considered but a return on investment did not support that choice.

Mr. Jeffers asked about a class designed around this goal. Vice President Vest had Ken Wilks, Professor in Construction, address the board regarding answering questions about this type of curriculum.

Ken Wilks stated that when curriculum goes through the Instructional Council for approval they ask if the class is going to have a sustainability component. So there are three or four classes in the construction curriculum with a direct tie to sustainability where there's a measurable piece. The concrete class has some measureable tie to sustainability in terms of looking at different types of aggregates from by-products such as fly ash that can be used. There is a sustainable construction class that discusses LEED standards which is the United States Green Building Council. LEED stands for Leadership in Environmentally and Efficient Design in building and it's a criteria on a ranking system for a new building where they look at different aspects of a building like water retention, reuse of gray water, life cycle cost issues. There is also an elective class that deals with wind turbine generation, and photovoltaics.

Mr. Matteson asked if there were plans to offer programs that would lead to LEED certification. Ken Wilks stated there are not currently but if there was an apparent demand for it then it could be developed.

Mr. Peaches moved to adopt the 2013-2016 Strategic Plan. Ms. Handorf seconded the motion. ***The vote was unanimous in the affirmative.***

7.B. Amendment to Budget Development Calendar

Vice President Hatch stated some additional discussion had taken place since the Board approved the calendar related to the process in determining recommendation for wages and salaries. These discussed changes are included in the budget development calendar and three additions were made. The first addition is that the Employee Relations Committee would receive the wage and salary recommendations from the Faculty Association and the Classified and Administrative Support Organization. Item 5, Employee Relations would then make a recommendation to College Council. Both of these committees are part of the Shared Governance Process; the intent is to make it clear that Shared Governance has been a participant in the wage and salary recommendation.

In January, College Council will receive the wage and salary recommendation from the Employee Relations Committee and then in February, Item 8, the president of the college will receive a recommendation for wage and salary from College Council which flows into the other recommendations related to wages and salaries, Item 14, which has been there, where the Board receives a wage and salary recommendation at the March 19 board meeting, and then at the April meeting salary schedules will be adopted.



Navajo Community College District Governing Board Meeting – 12/18/12 – Page 4 of 11

Northland Pioneer College

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Ms. Handorf moved to approve the amended Budget Development Calendar. Mr. Matteson seconded the motion. *The vote was unanimous in the affirmative.*

7.C. FY 2013 Budget Guidelines

Vice President Hatch went over the budget guidelines and budget development assumptions document presented to the Board asking for any suggestions or adjustments the Board would like to see made.

General assumptions are that the College will follow the Budget Development Calendar, an introductory budget analysis will be presented to the Board in February prior to budget hearings so will be limited to an overview of expenditure and revenue trends. In March, there will be a preliminary budget analysis and this will include a detailed examination of budget planning, similar to what was done last year. Also, the statutory expenditure limit will be monitored.

Overall revenues will be flat heading into upcoming fiscal year. State funding is expected to increase slightly. State aid revenue history was discussed by Vice President Hatch including the Capital Outlay State Aid that went away when the State hit fiscal problems. There will be efforts to reestablish this aid which will mean \$400,000 if funded this year.

Tuition and fees assumptions are that tuition and fees should be set at a level where students in the area can afford it. The College would like to incrementally increase tuition and then compare tuition on a regular basis so that the College remains competitive in the market with other Arizona community colleges.

Property tax – the maximum levy the College can assess is a 2% increase. Levy has had a slow and steady increase since the College is limited to 2% increase each year. The 2012-2013 \$1.35 tax rate is still lower than what it has been in the past. There's an inverse relationship to the rate versus assessed valuation. As the assessed valuation goes down the College is required to assess a higher rate to accommodate the maximum tax levy the College can receive.

Vice President Hatch reviewed some current trends with the Board.

Ms. Handorf directed Blaine Hatch to comment on the relationship between levying the maximum property tax and equalization.

Vice President Hatch stated that the intent of equalization is to level out property tax resources as much as possible, to provide services. The State has asked if community colleges are doing everything they can locally to provide services. If the College does not levy the maximum tax rate to provide for services to students, then the State would question why equalization money should be provided. Currently over \$6 million in equalization aid potentially could be at risk if the College didn't levy the maximum tax levy possible.

Mr. Jeffers stated that losing equalization could be devastating to the college.



Expenditure assumptions are, first, that the budget request will be linked to the strategic plan. The strategic plan drives expenditures for the College and the budget does not. Any budgeted amounts higher than the current budget or historical spending will require justification and will be reviewed during the budget hearing process.

Mr. Jeffers stated that the strategic plan may drive the budget, but the budget may limit the strategic plan implementation. Vice President Hatch concurred.

Budget requests for operational capital expenditures will be completed by first of February. Salary schedules will be developed with incrementally increasing rates, consideration of competitive market conditions by maintaining a comparative position to the average increases at other local entities and community colleges. In 2012-2013, just over 3% increase was state average on salary increases; NPC was at a 6% making the College the highest wage adjustment given compared to other community colleges as well as local entities. Discussion about how NPC compares to other state community colleges took place.

Mr. Matteson asked if the 6% increase was due to the wage structure being depressed. Vice President Hatch stated it was not. Vice President Hatch stated the reason the process for wage and salary increases be identified in the calendar was because the previous process was out of sequence and there was a late request for this increase that was approved.

Mr. Jeffers stated that several years ago, based on information that there would be a large cut in the budget, the Board requested that College personnel take a 2% pay cut. The 6% was an attempt by the Board to make up for that two year cut. Mr. Jeffers pointed out that the recommendation from administrative staff was not 6%.

Vice President Hatch stated that following a 2% cut a few years ago, two years later there was a 4% increase, followed again by last year's 6% increase. Ms. Handorf stated that 1% of that was a step. Vice President Hatch stated that there was a step, which is 3% for the faculty, and for classified staff is \$.35. On average there was a 6% increase to classified staff, and a step plus 3% to the faculty.

Mr. Matteson asked if the 6% raised granted in 2012-2013 brings the faculty and staff and administrative staff in line with comparable wages in competitive community colleges. Vice President Hatch stated that in the past NPC tended to be in mid-range. Now with the 6% wage and salary increase the College is now above that mid-range slightly.

The budget assumes that the College will maintain that comparative position in salaries and wages which currently is slightly above average.

President Swarthout stated depending on which employee group you look at that it will depend where they land in comparison to other colleges. When comparing to like institutions in the Western United States, NPC faculty sits a little above average regarding salary and wages. The College's administrative staff is the lowest paid in the State.



Mr. Matteson stated that due to the spread out nature of the campuses that salaries should be in the upward 1/3 of salary range to attract the kind of people needed to do a difficult job under challenging circumstances and is very supportive of a good wage for a good job.

Mr. Matteson asked if salary and wages for technical positions in IS were at a competitive level as well. Director Bishop stated that IS positions at the College are not competitive in salary and wages. Mr. Matteson questioned if a 6% raise was adequate for IS positions.

Vice President Hatch stated that in regards to benefits it is hopeful that a high deductible option will be added to the list of options available. The College's third party partnership with Navajo County Schools Employees Benefit Trust for medical and dental has kept health insurance costs at a reasonable level.

Arizona State Retirement System will have a 0.4% of an increase both for employee and employer which changes from our current 11% to just over 11½% for ASRS contributions.

Mr. Matteson asked why the capital assumptions are three years instead of five years. Vice President Hatch stated that the assumptions match the strategic plan's timeframe which is a three year plan.

Mr. Matteson moved to approve the FY 2013-2014 Budget Guidelines. Ms. Handorf seconded the motion. *The vote was unanimous in the affirmative.*

*Mr. Jeffers called a 10 minute recess at 11:35 am with no objections from the Board.

The Board reconvened at 11:45 am and Mr. Jeffers stated that the School Superintendent's Office stated that Ladybird Jack's residence was actually outside of District 2 so she is not eligible to be on the Board from that district and has submitted a letter of resignation.

Mr. Matteson moved to accept Ladybird Jack's resignation from the Board. Ms. Handorf seconded the motion. *The vote was unanimous in the affirmative.*

Ms. Handorf acknowledged Bill Jeffers' service to the community and to the District and spoke about his achievements. Mr. Peaches presented to Bill Jeffers a crystal eagle in honor of his service to the College on behalf of the Board and the College staff and faculty. Mr. Jeffers offered words of thanks to everyone.

7.D. Request to Accept the Termination of Springerville Lease

Vice President Hatch stated that staff recommends that the Board accept the lease termination for the Apache County site. The Apache County Higher Education Committee has recommended that the Springerville/Eagar Center be relocated to a larger facility. The location is scheduled to be completed soon. Both towns have agreed to terminate the current lease with consideration given of retaining two modular units that the College purchased and relocated on that facility. The College does not have a need for those facilities and would be an expense to the College to relocate them. Springerville/Eagar agree that the modular units will be used exclusively for



governmental purposes. Vice President Hatch also requested that the Board approve Dr. Swarhout as signator of the lease termination.

Ms. Handorf moved to approve the Termination of the Springerville/Eagar Lease and to authorize Dr. Swarhout to be the signator. Mr. Peaches seconded the motion. *The vote was unanimous in the affirmative.*

7.E. Request to Approve the Round Valley Lease

Vice President Hatch stated that the Apache County Higher Education Committee has requested the move of the Springerville/Eagar Center. It is a 5 year lease for \$15,000 per year with an option to extend it for additional periods of five years. The utility expenses are expected to remain the same. Vice President Hatch also requested that the Board approve Dr. Swarhout as signator of the lease agreement.

Mr. Peaches moved to approve the Round Valley School district Lease with Dr. Swarhout as authorized signator. Ms. Handorf seconded the motion. *The vote was unanimous in the affirmative.*

7.F. Accounts Receivable Collections

Vice President Hatch stated the College wanted to make the Board aware that there will be a change in how accounts receivable is done. In the past accounts receivable has been done in-house but believe it would be more beneficial and efficient to use an external collection agency for recovering accounts receivable from students. Enterprise Recovery Systems and Williams and Fudge are two companies being considered for this. A collection fee will be added to help defray costs beginning in Fall of 2013. The College will continue to work directly with third party accounts for any outstanding accounts receivable and will not be included in plan for collecting accounts receivable via an external agency.

Ms. Handorf asked if the fee will be a flat or a percentage. Vice President Hatch stated it will be a percentage and the agency will only be paid if they collect. Ms. Handorf asked about the balance in accounts receivable.

Maderia Ellison stated there was under \$2 million on a fiscal year basis in accounts receivable which is down significantly compared to prior years.

Mr. Matteson asked how many people the \$2 million represents and Ms. Ellison stated it was over 1,000 students for a number of years.

Mr. Jeffers asked if some of these accounts have been written off in the past. Ms. Ellison stated they had been.

Vice President Hatch stated that the College will control whether students will be reported to the credit agency. Mr. Matteson stated that such cases should be dealt with delicately.



7.G. Northeastern Arizona Technological Institute of Vocational Education (NATIVE) IGA Amendment

Vice President Hatch stated the initial IGA with NATIVE was approved in October without the 2013 spring listing and is now presented to the Board in Exhibit B.

Mr. Matteson moved to approve the NATIVE IGA Amendment. Ms. Handorf seconded the motion. *The vote was unanimous in the affirmative.*

7.H. Curriculum Changes: Nursing Assistant Training Certificate of Proficiency; Industrial Maintenance and Operations

Vice President Vest stated that whenever the College makes a substantive change to an academic program, to a degree or certificate, it requires Board action. The programs are initially developed by department chairs; they go through the academic dean to a shared governance group within the College called the Instructional Council which consists of faculty and academic administrators. Instructional Council makes a recommendation to the President and moves it to the Board.

The first is the creation by the Nursing and Allied Health Division of a Nursing Assistant Training Certificate of Proficiency.

Mr. Jeffers asked if this certificate program was a step for someone who wanted to complete a nursing program. Vice President Vest stated it was but not all of the courses in the certificate are required by nursing. Mr. Jeffers asked what a starting salary for someone with this certificate would be.

Dr. Peg Erdman, Dean of Nursing and Allied Health, stated there have been many students who have completed this certification plus their CPR and have gone out and immediately got a job with a pay scale somewhere between \$13 and \$15 an hour.

Mr. Peaches moved to approve adding the certificate of proficiency in Nursing Assistant Training. Ms. Handorf seconded the motion. *The vote was unanimous in the affirmative.*

Vice President Vest stated that the Industrial Maintenance and Operations Program is recommending that CIS 106 be dropped as the computer requirement in Industrial Maintenance and Operations and replace it with CIS 105 that traces the origin of computer applications and information technology and tries to educate about the state of the information technology field. IMO's advisory council, largely made up of industrial partners has recommended this change.

Ms. Handorf moved to approve the deletion of CIS 106 and CIS 105 to the Industrial Maintenance and Operations Program. Mr. Matteson seconded the motion. *The vote was unanimous in the affirmative.*

Agenda Item 8: Standing Business

8.A. Strategic Planning and Accreditation Steering Committee (SPASC) Report – Director Eric Bishop



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Northland Pioneer College

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Director Bishop stated SPASC will be updating the Board in January with accreditation activities. The College went through the accreditation process a few years ago but the accreditation model has now changed and the requirements are coming up.

8.B. Human Resources Update – Sharon Hokanson

Director Sharon Hokanson stated that the assistant to campus manager position at LCC has been filled; Jamie Cox, who was a temp employee has taken the position. Jeb Earl was hired as part-time faculty for ADOC in Winslow. Jeanmarie Nielson was hired as EMS Program Clerk. Richard Chanick was hired as a Small Business Analyst.

Several of the open positions are close to being filled. The academic advisor position has actually been filled and that person will be starting on January 2 as well as the ASC-GIEC Grant Project Coordinator.

The Faculty in Biology and the Director of Administrative Systems Support System are ready to make offers and the Database Administrative Position has been advertised on a wider scale to get someone into that position and one more applicant has come in. The Faculty in Philosophy position has received a lot of submissions and interviews are being conducted presently.

Mr. Matteson asked if competition from NAU made it difficult to hire some positions.

Dr. Swarthout stated that for the most part universities and community colleges pull from different pools of people and there doesn't tend to be competition for the same employee pool except for maybe in the area of math or science.

8.C. President's Report – President Swarthout

President Swarthout asked Everett Robinson to share about the All Arizona Academic Team. Mr. Robinson stated there were 13 students this year who applied for the All Arizona Academic Team. A list of the students was provided in the board packet. Three of the students have already enrolled and will be at NAU in spring. A luncheon will be held to honor these students on February 20th in Mesa where 70 students will attend.

Agenda Item 9: Board Report/Summary of Current Event

Mr. Jeffers thanked everyone for their well wishes.

Agenda Item 11: Announcement of Next Regular Meeting: January 15, 2013.

Agenda Item 12: Adjournment

The meeting was adjourned at 12:36 p.m. upon a motion by Mr. Matteson, a second by Mr. Peaches, and a unanimous affirmative vote.

Respectfully submitted,

Navajo Community College District Governing Board Meeting – 12/18/12 – Page 10 of 11



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Lisa Jayne
Recording Secretary to the Board

Bill Jeffers
Chairman

Ginny Handorf
Board Secretary

DRAFT



**INTERGOVERNMENTAL AGREEMENT
BETWEEN
NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT
AND
RED MESA UNIFIED SCHOOL DISTRICT #27**

This Intergovernmental Agreement ("Agreement") is entered into this 11th day of October, 2012 between Navajo County Community College District, ("College"), and Red Mesa Unified School District No. 27 ("School District") (collectively "Parties"). Both Parties are public agencies of the State of Arizona as defined in Arizona Revised Statutes ("A.R.S.") § 11-951.

BACKGROUND

College and School District are authorized to enter into this Agreement pursuant to A.R.S. § 15-342(13), § 15-701.01(G), § 15-1444(B)(4), and § 15-1821.01. Grant schools are authorized to participate in this Agreement under the Tribally Controlled Schools Act, 25 U.S.C. § 2501 *et seq.* This Agreement and its use are mandated under A.R.S. § 15-1821.01(1).

College has determined that it is in the best interests of the citizens of the School District to offer college level courses that may be counted toward both high school and college graduation requirements at the high school during the school day.

School District desires that College provide to high school students college level courses that may be counted toward both high school and college graduation.

AGREEMENT

In consideration of the mutual promises contained herein, the Parties agree as follows:

1. PURPOSE

The purpose of this Agreement is to set forth the understanding of the Parties as to their respective responsibilities and rights in providing Dual Enrollment Courses, as defined in Section 2 below, to eligible School District students.

2. DEFINITION

Pursuant to A.R.S. § 15-101(11), a "Dual Enrollment Course" is defined as a college level course that is conducted on the campus of a high school or on the campus of a joint technological education district, and that is:

- A. applicable to an established community college academic degree or certificate program, and transferable to a university under the jurisdiction of the Arizona Board of Regents; or

- B. applicable to a community college occupational degree or certificate program.
- C. Notwithstanding the foregoing, physical education shall not be available as a Dual Enrollment Course.

3. EFFECTIVE DATE AND TERM

This Agreement shall be effective:

- A. After the governing boards of School District and College have approved it; and
- B. On the date that authorized representatives of both Parties have signed it ("Effective Date").

The term of this Agreement shall be from the Effective Date through June 30, 2013 ("Term").

4. OBLIGATIONS OF COLLEGE

4.1 General Course Requirements

- A. College will offer Dual Enrollment Courses to School District juniors and seniors, and freshman and sophomore students subject to Paragraph F in this Section 4.1, who meet College's prerequisites.
- B. Pursuant to A.R.S. § 15-1821.01(3), College will ensure that all Dual Enrollment Courses offered to School District students are:
 - 1. of a quality and depth to qualify for college credit as determined by College;
 - 2. evaluated and approved through the College curriculum approval process;
 - 3. at a higher level than taught by the School District high school;
 - 4. transferable to an Arizona public university or applicable to an established community college occupational degree or certificate program; and
 - 5. compliant with all other standards for College courses.

Dual Enrollment Courses offered pursuant to this Agreement are listed in Exhibit B attached to this Agreement.

- C. Students enrolled in Dual Enrollment Courses shall be admitted to College for college level credit under current procedures for admission of students to College, and in compliance with A.R.S. § 15-1821.01 and A.R.S. § 15-1805.01. A student who is under eighteen (18) years of age may be

granted admission if the student meets the pre-requisites for the Dual Enrollment Course and the student achieves any one of the following:

1. a composite score of ninety-three (93) or more on the preliminary scholastic aptitude test;
2. a composite score of nine hundred thirty (930) or more on the scholastic aptitude test;
3. a composite score of twenty-two (22) or more on the American college test;
4. a passing score on the relevant portions of the Arizona instrument to measure standards test;
5. the completion of a college placement test designated by College that indicates the student is at the appropriate college level for the course; or
6. is a graduate of a private or public high school or has a high school certificate of equivalency.

Home schooled students are exempt from Sections 1-6 of this Paragraph C. Notwithstanding the above, a student who enrolls in a vocational or occupational education course may be admitted on an individual basis with the approval of College if the student meets the established requirements of the course for which the student enrolls and College determine that the student's admission is in the best interest of the student. College retains the right to refuse admission to and remove a student from Dual Enrollment Courses in accordance with College policy.

- D. College has the right to limit the number of semester hours in which a student may enroll in Dual Enrollment Courses to no less than six (6) credit hours per semester.
- E. College shall determine residency status of students for tuition purposes in accordance with A.R.S. § 15-1801 *et seq.*
- F. Pursuant to A.R.S. § 15-1821.01(2)(b) and subject to Section 5.1(E) below, College may waive the class status requirements for up to twenty-five percent (25%) of the students enrolled for Dual Enrollment Courses by College. College shall have written criteria for waiving the requirement for each Dual Enrollment Course which shall include a demonstration, by an examination of the specific purposes and requirements of the course, that freshman and sophomore students who meet the Dual Enrollment Course prerequisites are prepared to benefit from the college level course. College shall report all exceptions and the justification for each exception.
- G. College will provide to School District the instructional information necessary to meet the goals of the courses delivered, including but not limited to College approved textbook titles, syllabi, course outlines and grading standards applicable to the Dual Enrollment Courses.
- H. College will ensure that instructors of Dual Enrollment Courses follow the Dual Enrollment Course guidelines, and that the same standards of expectation and assessment that are applied to other College courses are applied to the Dual Enrollment Courses.
- I. For each student, College will assign an identification number to the student that shall correspond to or reference the Student Accountability Information System (SAIS) number assigned to the student. School District will provide College with the SAIS number for each student as provided in Section 5.1(G).

- J. College will grant College credit for a Dual Enrollment Course when a student satisfactorily completes the course.

4.2. Instructors and Instruction

- A. College will ensure that School District instructors teaching Dual Enrollment Courses have valid College teaching qualifications in the field being taught and are selected and evaluated by College using the same procedure and criteria that are used for instructors at College campus.
- B. If College is providing the instructor for a Dual Enrollment Course, College will provide at College's expense a substitute instructor, as necessary and as agreed upon by School District, to cover the absence of any College instructor teaching a Dual Enrollment Course.

4.3. Assessment and Monitoring

- A. Except for vocational and occupational Dual Enrollment Courses, and if required by College policy, College will assess each student who seeks enrollment in a Dual Enrollment Course through an assessment test prior to, or at the time of, enrollment to determine and assure proper placement in the Dual Enrollment Courses.
- B. College will involve full-time College faculty who teach a particular discipline in the selection, orientation, ongoing professional development and evaluation of School District faculty teaching Dual Enrollment Courses.
- C. College will designate a liaison officer to assist with dual enrollment activities and to meet with the liaison designated by School District as necessary and, at least once within a two-year period, to review Dual Enrollment Course outlines and School District's high school Scope and Sequence, and to review and amend the course outlines as necessary.
- D. College will provide career counseling and advisement for School District students enrolled in Dual Enrollment Courses for the duration of the term of this Agreement.

4.4 Policy and Procedure

- A. College will comply with all applicable procedures and requirements for the Dual Enrollment Courses set out in state statute and College policy.
- B. College will provide School District with College policies and procedures applicable to students enrolling in Dual Enrollment Courses.
- C. College will provide School District access to the educational records of students as necessary to carry out the terms of this Agreement, and limit access to such records to employees who have a legitimate interest and a need to know the substance of the particular record, understanding that students enrolled in the Dual Enrollment Courses will be enrolled in both School District and College. Pursuant to Title 34, Part 99, Section 99.31 of the Code of Federal Regulations, the Family Educational Rights and Privacy Act of 1974, as amended ("FERPA"), School District and College may disclose educational records of students to each other as "officials of another school system" where the student is enrolled.

4.5 Students with Disabilities

- A. After notification from School District of a student's need, if College is providing the instructor, College will cooperate with School District to ensure the instructor complies with Section 504 of the Rehabilitation Act of 1973, as amended, and the Individuals with Disabilities Education Act. College shall work with School District in determining appropriate accommodations, however, School District shall have the primary financial and administrative responsibility for providing and implementing necessary accommodations.
- B. College will provide training and guidance to instructors and other personnel in the area of compliance with the Americans with Disabilities Act (ADA) and Rehabilitation Act of 1973, as amended, as the Acts specifically relate to instructing students in a postsecondary education situation.

4.6 Reporting and Tracking

- A. College will provide a report to the Joint Legislative Budget Committee on or before October 1 of each odd-numbered year with such documentation as may be required under A.R.S. § 15-1821.01(6), as from time to time amended, regarding the Dual Enrollment Courses offered in conjunction with School District during the previous fiscal year. School District shall provide College with data required for inclusion in the report not later than September 1 of each year as specified in Section 5.6. School District will also assist College by providing data for any additional reports required by State or other governmental entities in relation to Dual Enrollment Courses.
- B. College will conduct tracking studies of subsequent academic or occupational achievement of students enrolled in Dual Enrollment Courses offered pursuant to this Agreement, and shall provide its report to the Joint Legislative Budget Committee by October 1 of each year, or each odd numbered year as may be required pursuant to A.R.S. § 15-1821.01(6). School District will provide College with data required for inclusion in the tracking study if requested by College.

5. OBLIGATIONS OF SCHOOL DISTRICT

5.1 General Course Requirements

- A. School District will provide an opportunity for School District students who meet criteria pursuant to Paragraph B of this Section 6.1 to enroll in Dual Enrollment Courses and to receive college credit and credit toward high school graduation.
- B. Pursuant to A.R.S. § 15-1821.01(7), School District will ensure that each student who enrolls for a Dual Enrollment Course pursuant to this Agreement is a full-time student, as defined in A.R.S. § 15-901(A)(2)(b), and is currently enrolled in and attending a full-time instructional program, as defined in A.R.S. § 15-901(A)(2)(c), in a school in School District; except that high school seniors who satisfy high school graduation requirements with less than a full-time instructional program shall be exempt from this provision.

- C. If School District is providing the instructor for the Dual Enrollment Course, School District will provide instruction in accordance with the policies, regulations and instructional standards of College in courses designated as Dual Enrollment Courses to students of School District at the School District facility during the day.
- D. School District will verify that each student enrolled in a Dual Enrollment Course, including those not electing to enroll for College credit, satisfies the prerequisites for the Dual Enrollment Course as published in College's catalog and complies with College policies and this Agreement regarding student placement in courses.
- E. The School District Superintendent or designee may allow freshman and sophomore students to enroll in Dual Enrollment Courses subject to Section 4.1(F) above.
- F. School District will adopt and utilize College approved textbooks, course outlines, and grading standards applicable to the Dual Enrollment Courses being taught. School District shall provide textbooks for the students according to School District policies. Each student shall be responsible to purchase other supplies, if any, required for the Dual Enrollment Course. Classroom supplies normally supplied by College are included in tuition charges.
- G. For each student enrolling in a Dual Enrollment Course, School District will enroll the student using the student's SAIS number and provide that number to College.

5.2 Instructors and Instruction

- A. If School District is to provide the instructor, School District will nominate an instructor qualified in the appropriate subject area for each Dual Enrollment Course and submit each instructor's name and credentials to College for approval.
- B. School District will ensure that instructors teaching Dual Enrollment Courses provide instruction in accordance with policies, regulations and instructional standards of College and comply with College assessments.
- C. If School District is providing the instructor, School District will provide at School District's expense a substitute instructor, as necessary and as agreed upon by College, to cover the absence of a School District instructor who teaches a Dual Enrollment Course. In the case of substitutions exceeding ten (10) consecutive school days, School District shall notify College in writing of the name and credentials of the substitute instructor.

5.3 Assessment and Monitoring

- A. School District will designate a liaison officer to assist with dual enrollment activities and to meet with the College designated liaison as necessary and, at least once within a two-year period, to review Dual Enrollment Course outlines and School District's high school Scope and Sequence to review and amend the course outlines as necessary.
- B. School District will provide counseling and advisement for School District students enrolled in Dual Enrollment Courses for the duration of the term of this Agreement.

5.4 Policy and Procedure

- A. School District will ensure that each student seeking enrollment in a Dual Enrollment Course:
 - 1. has completed the necessary registration forms;
 - 2. has completed College assessment examinations, if required by College;
 - 3. is aware the student is subject to both School District policies and procedures and College policies and procedures;
 - 4. is aware the student is participating in a college level course, even though provided at the School District, and should act appropriately; and
 - 5. is aware of the requirements for determination of resident/nonresident tuition.
- B. School District will ensure that each instructor of Dual Enrollment Courses agrees to be subject to School District policies and procedures and College policies and procedures, including the right of College to withdraw authorization of the instructor's participation in the dual enrollment program for failure to follow College requirements.
- C. School District will provide College access to the educational records of students as necessary to carry out the terms of this Agreement, and limit access to such records to employees who have a legitimate interest and a need to know the substance of the particular record, understanding that students enrolled in the Dual Enrollment Courses will be enrolled in both School District and College. Pursuant to Title 34, Part 99, Section 99.31 of the Code of Federal Regulations, the Family Educational Rights and Privacy Act of 1974, as amended ("FERPA"), School District and College may disclose educational records of students to each other as "officials of another school system" where the student is enrolled.

5.5 Students with Disabilities

School District will determine the appropriate accommodations for each qualified student with disabilities in accordance with the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, submit appropriate documentation on students with disabilities to the Disabilities Coordinator at College, and implement accommodations as required by Federal and State law and as negotiated between the College Disability Resource office and School District. School District shall work with College in determining appropriate accommodations. School District shall have the primary financial and administrative responsibility for providing and implementing necessary accommodations.

5.6 Reporting and Tracking

By September 1 of each year, School District will provide to College information required by the Legislature for submission of reports as specified in Section 4.6 above.

5.7 Facilities and Funding

- A. School District will provide classroom/laboratory space in which Dual Enrollment Courses and activities will be conducted. Facilities and ancillary services provided for the delivery of Dual Enrollment Courses shall comply with all applicable provision of the state Fire Marshall Code,

A.R.S. § 41-2161 et seq. (access for disabled persons), and all other applicable federal and state laws.

- B. Payment, if any, for facilities and ancillary services shall be designated in Exhibit A attached to this Agreement.

6. MUTUAL AGREEMENTS

6.1. Instructor.

- A. Throughout the term of this Agreement, an instructor provided by College shall remain an employee of College, and shall be subject to the terms and conditions of the instructor's employment contract and College policy. An instructor provided by School District shall remain an employee of School District, and shall be subject to the terms and conditions of the instructor's employment contract and School District policy, but shall also be subject to continuing approval by College. Should a School District instructor violate College procedure or policy, College may withdraw authorization for the instructor to participate in the dual enrollment program and School District, upon such withdrawal of authorization, shall substitute another qualified instructor and notify College in writing of such substitution. The instructor must be approved by College pursuant to the terms of this Agreement.
- B. Throughout the term of this Agreement, an instructor provided by College shall remain an employee of College, and shall be subject to the terms and conditions of the instructor's employment contract and College policy, but shall also be subject to School District policy. Should an instructor violate School District procedure or policy, School District may ask College to withdraw authorization for the instructor to participate in the dual enrollment program and College, upon such withdrawal of authorization, shall substitute another qualified instructor and notify School District in writing of such substitution.

6.2. Student.

Each student enrolled in a Dual Enrollment Course, even though enrolled as a College student during the term of the Dual Enrollment Course, shall remain a student of School District and shall follow the schedule and calendar of classes as established by School District and approved by College.

6.3. Removal from Course.

School District retains the right to refuse to allow a student to enroll in a Dual Enrollment Course and to discipline and/or remove any student from the Dual Enrollment Course in accordance with School District policies. College shall have the right to request School District to remove a student from a Dual Enrollment Course in accordance with College policy.

6.4. Schedule and Number of Students.

School District and College shall mutually determine the schedule of, and maximum and minimum number of students to enroll in, each Dual Enrollment Course. Such schedule shall not be changed except by written agreement of School District and College. School District and

College must mutually agree if any student who is not a student of School District will be enrolled in a Dual Enrollment Course; provided, however, that any such student must comply with the admissions requirements and course prerequisite requirement provisions of this Agreement.

6.5. Availability of Instructors.

Availability of Dual Enrollment Courses offered by College shall be dependent on the availability of appropriately qualified instructors. College may compensate School District for the services of a qualified instructor provided by School District or, alternatively, College may provide a qualified instructor to deliver any Dual Enrollment Course.

6.6. Guidelines.

School District and College shall ensure that each student enrolled in a Dual Enrollment Course, and all personnel of School District and all personnel of College who are involved in the dual enrollment program are provided with dual enrollment guidelines, and that such persons agree to review and comply with the guidelines.

6.7. Rigor of Courses.

College and School District agree that college level courses are rigorous and demanding courses, and the standards and criteria of any Dual Enrollment Course shall meet statutory and College criteria, and such criteria shall not be diminished for the purpose of the dual enrollment program.

7. FINANCIAL PROVISIONS AND FORMAT FOR BILLING: See Exhibit A attached.

7.1 Fees.

Fees and charges for the Dual Enrollment Courses and program are provided on Exhibit A attached to this Agreement.

7.2. Supplies.

School District will provide and pay for basic textbooks, workbooks, supplies and other costs related to the teaching of and the administration of Dual Enrollment Courses within School District.

7.3. Tuition.

- A. The student or School District shall be responsible for payment of tuition to College.
- B. College may provide grants, scholarships or financial aid in accordance with College policies and as set forth in Exhibit A. In addition, College may offset tuition payments owed to College by School District with payments due from College to School District.
- C. School District understands and agrees that tuition charges for students enrolled under this program may vary from student to student depending upon the total number of student credit

hours for which each student has enrolled each term, and depending upon the residency status of the student. Pursuant to A.R.S. § 15-1802(C), the residency of an unemancipated student under the age of nineteen years will be that of the student's parent or legal guardian, and any student who is not a legal resident of Arizona will be charged out of state tuition rates.

8. CONTINUATION OF AGREEMENT

The continuation of this Agreement beyond the initial fiscal year is dependent on and subject to the appropriation and availability of funding for each Party in each subsequent fiscal year. If sufficient funding is not made available to allow a Party to continue meeting its contractual obligations under this Agreement, that Party shall so notify the other Party and either Party may cancel this Agreement and have no further obligation to the other Party. In the alternative, the Parties may by mutual written agreement, modify this Agreement to reduce the level of compensation, services or other consideration provided.

9. RECORDS

All accounts, reports, files and other records relating to this Agreement shall be kept for a minimum of five (5) years after termination of this Agreement and shall be open to reasonable inspection and audit by the other party during that period. Audits may be conducted, at a time mutually agreed upon by the parties, by any appropriate political subdivision or agency of the State of Arizona or by representatives of the comptroller General of the United States or the Secretary of Education when required by applicable federal regulations.

10. CONFIDENTIALITY

All written student records shall be kept confidential in accordance with the Family Rights and Privacy Act (20 USC 1232(g)) ("FERPA") and regulations adopted pursuant to FERPA, the Individuals with Disabilities Education Act ("IDEA") and regulations adopted thereunder, and applicable state laws and school board policies controlling the disclosure of personally identifiable information from a student's education records.

11. TERMINATION/DISPOSITION OF PROPERTY

11.1. Termination.

Either Party may terminate this Agreement for any reason following written notice to the other Party of intent to terminate delivered not less than ninety (90) days prior to the intended date of termination. Except as provided in this section 12, termination shall only be effective at the end of a semester, and no Dual Enrollment Course shall be terminated prior to such effective date.

11.2. Risk to Health or Safety.

If either Party has reason to suspect that any activities undertaken pursuant to this Agreement present a risk to the health or safety of students or is contrary to the Party's mission or operations, that Party may request that a meeting between the Parties be convened within 48 hours and promptly confirm the meeting in writing. In such circumstances, the Parties to this Agreement will attempt to reconcile differences within five (5) working days of such meeting. If reconciliation is not achieved within the five (5) day period, this Agreement will automatically terminate.

11.3. No Relief from Obligations.

Termination shall not relieve either Party from its obligation to pay for services provided prior to termination and those for any student already admitted and enrolled in a course or courses and obtaining dual credit at the time of termination or notice thereof.

11.4. Disposition of Property.

The Parties do not contemplate joint acquisition of any property pursuant to this Agreement. Upon termination of this Agreement, equipment furnished or purchased by College for the program shall be retained by College, and equipment furnished or purchased by School District for the program shall be retained by School District.

12. RESPONSIBILITY

12.1. Conduct of Operations.

Each Party agrees to be responsible for the conduct of its operations and performance of contract obligations and the actions of its own personnel while performing services under this Agreement, and each party shall be solely responsible for supervision, daily direction, control of payment of salary (including withholding for payment of taxes and social security), workers' compensation and disability benefits.

12.2 Indemnification.

Each Party, to the greatest extent legally permissible, shall indemnify, defend, and hold harmless the other Party from any liability resulting from the negligence, intentionally tortious, or willful misconduct of the indemnifying Party's employees, officers, students and agents.

13. CANCELLATION FOR CONFLICT OF INTEREST

This Agreement may be canceled pursuant to A.R.S. § 38-511, the pertinent provisions of which are fully incorporated herein by reference.

14. NON-ASSIGNABILITY

Neither Party may assign any right or delegate a duty or responsibility under this Agreement without the prior written consent of the other Party.

15. COMPLIANCE WITH NON-DISCRIMINATION LAWS

To the extent applicable, the Parties shall comply with all College policies and State and Federal laws and regulations which prohibit discrimination against any person based on race, religion, handicap, color, age, sex, sexual orientation, political affiliation or national origin, and the Parties shall prohibit discrimination in the employment or advancement in employment of a qualified person because of physical or mental disability including all applicable provisions of the Americans with Disabilities Act (Public Law 101-336, 42 U.S.C. §§ 12101-12213).

16. RIGHTS/OBLIGATIONS OF PARTIES ONLY

The terms of this Agreement are intended only to define the respective rights and obligations of the Parties. Nothing expressed herein shall create any rights or duties in favor of any potential third Party beneficiary or other person, agency or organization.

17. ENTIRE AGREEMENT

This Agreement, and its attachments as noted herein, constitutes the entire agreement between the Parties, and, except as previously noted, all prior or contemporaneous oral or written agreements are superseded by this Agreement. There are no representations or other provisions other than those contained herein, and any amendment or modification of this Agreement shall be made in writing and signed by the Parties to this Agreement.

18. INVALIDITY OF PART OF THE AGREEMENT

If any part of this Agreement is held to be illegal, invalid or void by a court of competent jurisdiction, the remainder of this Agreement shall remain in full force and effect with those offending portions omitted.

19. GOVERNING LAW

This Agreement shall be construed under the laws of the State of Arizona and shall incorporate by reference all laws governing intergovernmental agreements and mandatory contract provisions of state agencies required by statute or executive order.

All statutes and regulations referenced in this Agreement are incorporated herein as if fully stated in their entirety in the Agreement. Each Party agrees to comply with and be responsible for the provisions, the statutes, and the regulations set out in this Agreement.

20. NOTICE

All notices, requests for payment, or other correspondence between the Parties regarding this Agreement shall be mailed United States postage prepaid or delivered personally to the respective parties at the following addresses:

If to College:

Dr. Jeanne Swarthout, President
Northland Pioneer College
P.O. Box 610
Holbrook, Arizona 86025

If to School District:

Tommy Yazzie, Superintendent
Red Mesa Unified School District No. 27
HC 61 Box 40
Teec Nos Pos, AZ 86514

IN WITNESS WHEREOF, the Parties have executed this Agreement on this 11th day of October 2012.

COLLEGE

SCHOOL DISTRICT

By: Jeanne Swarhout, Ph. D., President

By: Mr. Tommy Yazzie, Superintendent

Date

October 11, 2012
Date

Attorney Approval: This Amendment has been reviewed pursuant to A.R.S. 11-952 by the undersigned attorney who has determined that it is in proper form and is within the powers and authority granted under the laws of Arizona to the Governing Board of the College.

By: _____
Legal Counsel for College

Attorney Approval: This Amendment has been reviewed pursuant to A.R.S. 11-952 by the undersigned attorney who has determined that it is in proper form and is within the powers and authority granted under the laws of Arizona to the Governing Board of the School District.

By: [Signature]
Legal Counsel for School District

EXHIBIT A

FINANCIAL PROVISIONS

1. APPROVED TUITION AND FEES APPLICABLE TO THIS AGREEMENT

Tuition: \$62 per credit hour.

2. IDENTITY OF PERSON OR ENTITY RESPONSIBLE FOR PAYING STUDENT TUITION AND FEES

Students are responsible for payment of tuition and fees. An individual billing account will be established for each participating student.

3. ADDITIONAL CHARGES

Except as provided in this section, no additional fees shall be charged for assessment tests, if any, used for placement purposes. Assessment fees, if any, will be charged subject to and in compliance with College policies and procedures, and relevant state statutes and regulations.

4. FINANCIAL AID POLICIES

Except as indicated in this section, College offers no grant, scholarship or financial aid for the dual enrollment program. The provision, if any, of any grant, scholarship or financial aid shall be subject to and in compliance with College policies and procedures, and relevant state statutes and regulations.

All students enrolled in an authorized dual enrollment course are eligible for tuition and fee scholarships.

5. FORMAT FOR BILLING

Except as provided below, charges will be assessed each semester and invoices shall be sent no later than thirty (30) days after the end of the semester. Payment shall be due within thirty (30) days of receipt of the invoice.

NCCCD shall reimburse the School District at a rate of Ten Dollars (\$10.00) per credit hour for each properly enrolled student, to a maximum amount of One Hundred Dollars (\$100.00) per credit hour for each dual enrollment course. The invoice shall be based on NCCCD course rosters and include the information listed in Exhibit B of this Agreement.

6. FULL TIME STUDENT EQUIVALENT

Amount College received in FTSE in prior academic year	<u>\$1,792,100</u>
Portion of that FTSE distributed to School District	<u>Less than 1%</u>
Amount School District returned to College	<u>0</u>

EXHIBIT B

**TYPE OF INSTRUCTION
DUAL ENROLLMENT COURSES**

COURSES AND CREDITS

For complete course descriptions, refer to the current College catalog.

All courses listed with an asterisk are also offered to freshmen and sophomore students.

The number of students admitted for any Dual Enrollment Course shall not be less than six (6) students per section and shall not exceed a maximum of thirty (30) students per section.

COURSE	TITLE	CREDITS	SEMESTER	INSTRUCTOR
BUS220	PRINCIPLES OF MARKETI	3.00	FALL	KRAUS, PHILL
BUS220	PRINCIPLES OF MARKETI	3.00	SPRING	KRAUS, PHILL

REQUEST TO RATIFY THE ACCEPTANCE OF DISTRICT 2 RESIGNATION

Recommendation: Staff recommends the ratification of the acceptance of the resignation of Ladybird Jack, District 2, approved at the December 18, 2012 District Governing Board meeting.

Summary: At the December 18, 2012, District Governing Board meeting, the Board voted to accept the resignation of Ladybird Jack, District 2, from the Board. As the acceptance of the resignation was not on the Board agenda for the meeting, Arizona Statute requires that the acceptance of the resignation be ratified by the Governing board within 30 days of when the action took place. Action on this item meets the statute requirement.



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REQUEST TO APPROVE THE ASSOCIATE OF APPLIED SCIENCE AND CERTIFICATE PROGRAMS IN CONSTRUCTION TRADES

Recommendation: The Instructional Council recommends the approval of the following new programs for Construction (CON):

- Associate of Applied Science (AAS)
- Certificate of Applied Science (CAS)
- Certificate of Proficiency (CP) in Construction Technology
- Certificate of Proficiency (CP) in Drafting

Summary: The Construction Trades program focuses on general residential and commercial construction skills coupled with specific supplemental training in areas ranging from electrical systems to drafting to heavy highway construction and equipment. Construction trades will provide students with basic hands-on skill sets that are applicable across a wide range of industrial and manufacturing processes. The core requirements of the Construction Trades program is nationally recognized NCCER certification coursework. Completion of the NCCER curriculum provides students with a portable certification that verifies their skills against national benchmarks and heightens their employability. The program is supported by NAVIT and has strong and positive input from an advisory committee consisting of local employers and construction trades educators. The Construction trades program will begin in the Fall 2013 semester at the new PDC Skill Center. We also plan to implement Construction courses via dual enrollment at qualifying interested area high schools.



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Construction

About this Degree • 64 credits

To complete an Associate of Applied Science degree in Construction Technology a student must complete 16 general education requirement credits, 37 program core requirement credits and 11 credits of required electives.

General Education Requirements • 16 credits

Communications • 6 credits

ENL 101 College Composition I.....3 credit
Plus one of the following:
SPT 120 Public Speaking.....3 credit
ENL 102 College Composition II.....3 credit
ENL 109 Technical Writing.....3 credit

Mathematics • 3 credits

MAT 101 Basic Technical Math.....3 credit
or MAT 103 or MAT 105 or MAT 109 or MAT 112 or any math class MAT 112 is a prerequisite

Discipline Studies • 7 credits

Per the AAS Discipline Studies list on page 64-65.
Arts and Humanities..... 3 credits
or
Social and Behavioral Sciences..... 3 credits
and
Physical and Biological Sciences..... 4 credits

Core Requirements • 37 credits

*CON 100 Construction Math and Safety.....3 credit
*CON 105 Engineering Principles and Construction Methods.....3 credit
*CON 110 Plan Reading, Site Layout, Communication, and Employment..3 credit
*CON 124 Masonry Systems.....3 credit
*CON 125 Concrete Systems.....3 credit
*CON 126 Framing Systems.....4 credit
*CON 140 Construction Applications in Construction.....3 credit
*CON 145 Roofing, Thermal, and Moisture Protection Systems.....3 credit
*CON 200 Integrated Construction Management/Design Laboratory.....3 credit
*CON 227 Electrical, Mechanical, and Plumbing Systems.....3 credit
*CON 230 Sustainable Construction.....3 credit
*CON 263 Estimating, Scheduling, and Planning.....3 credit

Required Electives • 11 credits

Select a minimum of eleven credits from the following courses:

CON (NCCER) Electives:

*CON 241 Electrical Level 1.....3 credit
*CON 242 Electrical Level 2.....3 credit

CON Electives:

*CON 180 Construction Service Learning.....3 credit
*CON 198 Construction Internship.....1 to 16 credits
*CON 223 Heavy Highway Construction.....3 credit



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Any CON course 100 level or higher

BUS Electives:

- BUS 141 Principles of Economics (Micro)3 credit
- BUS 117 Principles of Accounting I – Financial.....3 credit
- BUS 115 Business Law.....3 credit
- MAT 125 Introduction to Statistics.....3 credit

Drafting Electives:

- DRF 120 Technical Drafting.....3 credit
- DRF 130 Architectural Drafting I.....3 credit
- DRF 150 AutoCAD I.....3 credit
- DRF 230 Architectural Drafting II.....3 credit
- DRF 250 AutoCAD II (Project).....3 credit

Welding Electives:

- WLD 151 Cutting Process & Welding Quality.....3 credit
- WLD 152 SMAW Plate I.....3 credit
- WLD 154 GMAW Plate3 credit

Heavy Equipment:

Any unduplicated 100 level HQO course or higher up to 11 credits

Speech, Theatre, and Film Electives:

- SPT 220 Technical Theatre.....3 credit

And/or Select 6 Credits

Any unduplicated 100 Level Course or above.....6 credit

Certificate of Applied Science (CAS)

To complete a **Certificate of Applied Science in Construction Technology**, a student must complete: MAT 101 (or MAT 103 or MAT 105 or MAT 109 or MAT 112 or any math class MAT 112 is a prerequisite), ENL 101, *CON 100, *CON 110, *CON 124, *CON 125, *CON 126, *CON 145, and *CON 227 (28 credits)

Certificate of Proficiency (CP)

To complete a **Certificate of Proficiency in Construction Technology**, a student must complete: *CON 100, *CON 110, *CON 124, *CON 125, *CON 126, *CON 145, and *CON 227 (22 credits)

Certificate of Proficiency (CP)

To complete a **Certificate of Proficiency in Drafting**, a student must complete: *CON 100, *CON 110, DRF 120, DRF 130, DRF 150, DRF 230, and DRF 250 (21 credits)

*New Course



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REQUEST TO APPROVE INTERGOVERNMENTAL AGREEMENT WITH COCONINO ASSOCIATION FOR VOCATIONS, INDUSTRY AND TECHNOLOGY (CAVIAT)

Recommendation:

Staff recommends approval of the Intergovernmental Agreement with the Coconino Association for Vocations, Industry and Technology (CAVIAT) to provide joint technological education courses at CAVIAT facilities in Coconino County.

Summary:

The CAVIAT JTED District has requested an IGA with Northland Pioneer College for Industrial Maintenance and Operations (IMO) courses and labs. CAVIAT is providing the classroom and is paying tuition and fees for their students.

This is the first IGA between the college and CAVIAT. The president of Coconino Community College has provided permission for NPC to provide the courses as it is within their service district. The CAVIAT School Board has approved and signed the proposed IGA. NPC legal counsel has reviewed the agreement and will sign that it is in proper form and is within the powers and authority of the Board.



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INTERGOVERNMENTAL AGREEMENT
by and between
CAVIAT
and
Northland Pioneer College
for
Provision of Joint Technological Education Courses

This Intergovernmental Agreement (“Agreement”) is entered into between the Coconino Association for Vocations, Industry and Technology (CAVIAT) (hereinafter known as “JTED”) and Navajo County Community College District, also known as Northland Pioneer College (hereinafter known as “College”) for the joint exercise of powers pursuant to A.R.S. §11-952 *et seq.*, A.R.S. §15-393(K) and A.R.S. §15-1544(E);

WHEREAS, the parties are authorized to enter into this Agreement pursuant to A.R.S. §11-952 and A.R.S. §15-393(K) and A.R.S. §15-1544(E);

WHEREAS, the parties want to provide joint technological education courses (“JTE Courses”), as defined in Section 4.(E) of this Agreement, at CAVIAT’s Page, Arizona location in Coconino County, and to operate under a central model;

NOW THEREFORE, in consideration of the mutual agreements set forth, the parties agree as follows:

1. Purpose

The purpose of this Agreement is to establish the terms and conditions under which JTED will provide JTE Courses which meet the criteria provided in A.R.S. §15-391(3).

2. Term

This Agreement shall commence and be effective on July 1, 2012, and shall be for a period of five (5) years unless terminated by either party as provided for in this Agreement. Payment, performance and obligations for succeeding fiscal periods are subject to the availability and appropriation of monies.

3. Termination

This Agreement may be terminated by either party upon written notice to the other parties given no later than thirty (30) days before the end of the semester. Said termination shall not become effective until the end of the current semester in which notice is given. All property purchased by a party under this Agreement shall remain the property of that party and shall be returned to that party by the other party when no longer in use or upon termination, whichever is sooner.

4. Requirements under A.R.S. §15-393(L)

A. Financial Provisions and Format for Billing. See Exhibit A.

(1) Payment for services shall not exceed the cost of the services provided.

(2) Payment obligations of JTED under this Agreement are conditioned upon receipt of funds from the State of Arizona. The obligations of College are conditioned upon the availability of funds appropriated or allocated by the governing body of College.

B. Accountability Provisions. The parties agree to cooperate as appropriate to ensure compliance of both parties with required student testing schedules and procedures, reporting, and other requirements of applicable state and federal law concerning accountability in educational programs. JTED may request an audit or accounting of expenditures by College related to joint technological education programs.

C. Responsibilities.

(1) Responsibilities of JTED.

a. JTED will manage and control the joint technological education district.

b. JTED will be responsible for the content and quality of JTE Courses offered under this Agreement as JTE Courses, and shall ensure that such courses meet the standards and outcomes expected of a college course under the criteria of ARS 15-1821.01.

c. JTED will review with the College the standard for the quality of the teachers who instruct JTE Courses and ensure that each such teacher meets the College's requirements for teaching College courses.

d. JTED and College have agreed that all teachers are employees of the College and JTED may reimburse College for a portion of the salary of any teacher instructing a JTE Course.

e. On or before December 31 of each year, JTED shall submit a detailed report to the Career and Technical Education Division of the Department of Education pursuant to A.R.S. §15-393(M).

f. JTED will upload student attendance reports into ADE SAIS system, subject to the Family Educational Rights and Privacy Act ("FERPA"), 20 U.S.C. §1232g, *et seq.*

g. JTED will provide access and appropriate classroom space to accommodate all students at no charge to the College. Facilities and ancillary services provided for the delivery of JTE Courses will comply with all applicable provision of the state Fire Marshall Code, A.R.S. § 41-2161 *et seq.* (access for disabled persons), and all other applicable federal and state laws.

h. JTED will defray the cost of any and all students who are concurrently enrolled at Page Unified School District or Tse Yaato Accommodation School and shall reimburse the College for the tuition, fees, and books of those who remain enrolled beyond the College's published deadlines for dropping courses without cost for each semester.

(2) Responsibilities of College.

a. Attendance data must be reported at least weekly by the College to JTED.

b. College will, upon request of CAVIAT personnel, periodically provide student progress information for those students considered by the instructor to be at risk of failing a course, if the student or guardian completes and signs the College release of information form.

c. College will provide necessary equipment, supplies, maintenance, property and liability insurance to conduct the JTE Courses as agreed upon between College and JTED.

d. College will comply with all safety procedures in order to meet applicable State and Federal regulations.

e. College will cooperate with JTED to provide JTED with timely information for purposes of the report required by A.R.S. §15-393(m).

f. College will be responsible for ensuring quality and that courses meet the rigors and outcomes expected of a college course meeting the criteria of ARS 15-1821.01.

g. College will ensure that all instructors meet the standards of the college and that all students enrolled in these courses meet the College's enrollment criteria and the criteria of ARS 15-1821 and 15-1821-01.

h. College is responsible for complying with all enrollment reporting required by the state.

i. College is responsible for quality and assurance measures such as course monitoring, special training for faculty and participation in department meetings and curriculum development.

m. All College courses offered through this Agreement must be approved by the Navajo County Community College District Governing Board to ensure the quality of courses and compliance with all state statutes.

D. Type of Instruction. All new College courses must be submitted for approval by August 15 of each school year and approved by the JTED Governing Board. The list of approved courses, type of instruction, the quality and content of each course, shall be attached hereto as Exhibit B. All courses that may generate funding must meet the criteria for programs as required by law. All College teachers are required to follow these criteria.

E. Quality of Instruction. "Joint technological education course" shall mean a course which meets the following criteria identified in A.R.S. §15-391(3) and all community college criteria:

(1) The course is designed to directly lead a student toward a specific career, vocation or industry.

(2) The course is taught by an instructor who is certified to teach career and technical education by the State Board of Education or by a postsecondary educational institution.

(3) The course requires specialized equipment or specialized instruction materials above and beyond the scope and cost of a standard educational course.

(4) The course is designed to lead the student toward certification that is accepted by a vocation or industry as a demonstration of skill or competency in that vocation or industry.

(5) The course is part of a program that requires students to obtain a passing score on an examination that demonstrates a level of skill or competency for that program of study that is accepted by a vocation or an industry.

(6) The course meets the standards of a career preparatory vocational program as determined by the career and technical education division of the Department of Education.

(7) The course is certified by the JTED Governing Board as having met all the requirements of this Paragraph 4.E.

(8) The course is approved by the Career and Technical Education Division of the Department of Education based on requirements prescribed in this Paragraph 4.E within 120 days after the submission of all required documentation.

(9) The course is only offered to students in grades 9 through 12 inclusive.

F. Enrollment.

(1) JTED will coordinate enrollment and registration with the staff of College.

(2) College and JTED must approve all enrollments, verifying student eligibility in courses approved by the JTED Governing Board and the College Governing Board.

(3) College will provide registration, attendance, credit and final grade information for JTED students in approved courses within 5 days of last day of each semester, consistent with State guidelines and subject to the requirements of FERPA.

(4) Pursuant to A.R.S. §15-393H, the JTED may collect tuition for adult students and the attendance of pupils who are residents of school districts that are not participating in the joint district. However, the JTED and College have arranged and agree that tuition, fees, and books for courses taught pursuant to this Agreement shall be paid by the student and College shall directly collect such tuition under arrangements between the College and the student.

(5) College shall determine residency status of students for tuition purposes in accordance with A.R.S. § 15-1801 *et seq.* JTED understands and agrees that tuition charges for students enrolled under this program may vary from student to student depending upon the residency status of the student. Pursuant to A.R.S. § 15-1802(C), the residency of an unemancipated student under the age of nineteen years will be that of the student's parent or

legal guardian, and any student who is not a legal resident of Arizona will be charged out of state tuition rates.

(6) For purposes of this Agreement, a “student” is defined as any person enrolled in the joint district without regard to the person’s age or high school graduation status. Adults and post-secondary students may enroll in College programs subject to College’s policy, except that it is understood that CAVIAT is not financially or otherwise responsible for those students who are not enrolled concurrently at one of the public high schools as cited in C. (1) h. of this Section 4.

G. Transportation Services. Under this Agreement, transportation is not an issue and the College and the JTED have made no arrangements for such.

5. Confidentiality

All written student records shall be kept confidential in accordance with the Family Rights and Privacy Act (20 USC 1232(g)) (“FERPA”) and regulations adopted pursuant to FERPA, the Individuals with Disabilities Education Act (“IDEA”) and regulations adopted thereunder, and applicable state laws and school board policies controlling the disclosure of personally identifiable information from a student’s education records.

6. Conduct of Operations. Each Party agrees to be responsible for the conduct of its operations and performance of contract obligations and the actions of its own personnel while performing services under this Agreement, and each party shall be solely responsible for supervision, daily direction, control of payment of salary (including withholding for payment of taxes and social security), workers’ compensation and disability benefits.

7. Cancellation for Conflict of Interest

Pursuant to A.R.S. §38-511, either party to this Agreement may, within three (3) years after the execution of this Agreement, cancel it without further penalty or obligation if any person significantly involved in initiating, negotiating, securing, drafting, or creating this Agreement is at any time while the Agreement is in effect, an employee or agent of any other party to the Agreement in any capacity or a consultant to any other party, of the contract with respect to the subject matter of the Agreement. A cancellation made pursuant to this provision shall be effective when either party receives written notice of the cancellation unless the notice specifies a later time.

8. Non-discrimination

To the extent applicable, the Parties shall comply with all College and JTED policies and State and Federal laws and regulations which prohibit discrimination against any person based on race, religion, handicap, color, age, sex, sexual orientation, political affiliation or national origin, and the Parties shall prohibit discrimination in the employment or advancement in employment of a qualified person because of physical or mental disability including all applicable provisions of the Americans with Disabilities Act (Public Law 101-336, 42 U.S.C. §§ 12101-12213).

9. Insurance

College and JTED each represent and warrant to the other that it shall at all times retain insurance coverage in compliance with State laws and shall name the other party as an additional insured.

10. Employees

An employee of any party to this Agreement who works under the jurisdiction or control of or within the jurisdictional boundaries of another party to this Agreement pursuant to this Agreement is deemed to be an employee of both public agencies for the purposes of Arizona workers' compensation law, and A.R.S. §23-1022. The primary employer shall be solely liable for the payment of workers' compensation benefits.

11. Mutual Indemnification

Each party (as "Indemnitor") agrees to indemnify, defend, and hold harmless the other parties (as "Indemnitees") from and against any and all claims, losses, liability, costs or expenses (including reasonable attorney fees), hereinafter collectively referred to as "claims," arising out of bodily injury or any person (including death) or property damage, but only to the extent that such claims which result in vicarious/derivative liability to the Indemnitees, are caused by the act, omission, negligence, misconduct, or other fault of the Indemnitor, its officers, officials, agents, employees, or volunteers.

12. Applicable Law

This Agreement shall be governed and interpreted by the laws of the State of Arizona and shall incorporate by reference all laws governing intergovernmental agreements and mandatory contract provisions of state agencies required by statute or executive order. Unless otherwise stated in this Agreement, JTED shall operate under the provisions of A.R.S. Title 15, Ch. 3, Art. 6 (§§15- 391 through 15-396), as amended.

All statutes and regulations referenced in this Agreement are incorporated herein as if fully stated in their entirety in the Agreement. Each Party agrees to comply with and be responsible for the provisions, the statutes, and the regulations set out in this Agreement.

13. Mediation

Neither party may file a claim against the other without first participating in good faith in mediation with a trained and impartial mediator. The parties shall share the expenses of mediation, except that shared expenses shall not include the cost incurred by a party for representation by an attorney at the mediations, if such representation is desired.

14. Rights/Obligations of Parties Only

The terms of this Agreement are intended only to define the respective rights and obligations of the Parties. Nothing expressed herein shall create any rights or duties in favor of any potential third Party beneficiary or other person, agency or organization.

15. Entire Agreement

This Agreement, and its attachments as noted herein, constitutes the entire agreement between the Parties, and, except as previously noted, all prior or contemporaneous oral or written agreements are superseded by this Agreement. There are no representations or other provisions other than those contained herein, and any amendment or modification of this Agreement shall be made in writing and signed by the Parties to this Agreement.

16. Invalidity of Part of the Agreement

If any part of this Agreement is held to be illegal, invalid or void by a court of competent jurisdiction, the remainder of this Agreement shall remain in full force and effect with those offending portions omitted.

17. E-VERIFY

To the extent applicable under A.R.S. § 41-4401, the parties and their respective subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). The parties' or a subcontractor's breach of the above-mentioned warranty shall be deemed a material breach of the Agreement and may result in the termination of the Agreement by either party under the terms of this Agreement. The parties each retain the legal right to randomly inspect the papers and records of the other party and the other party's subcontractors who work under this Agreement to ensure that the other party and its subcontractors are complying with the above-mentioned warranty.

12. Notice

Any notice required or permitted under the terms of this Agreement shall be deemed given or served if sent by certified mail, return receipt requested, postage prepaid, to:

JTED
Jac Heiss, Superintendent
CAVIAT
P.O. Box 3940
19 Poplar Street
Page, AZ 86040
Fax: 928.645.2773

COLLEGE
Jeanne Swarthout, President
Northland Pioneer College
P. O. Box 610
Holbrook, AZ 85937
Phone: 928.645.2737

13. Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same Agreement. This Agreement is effective as of the date first written above.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

IN WITNESS HEREOF, the parties sign this Agreement:

COCONINO ASSOCIATION FOR VOCATIONS, INDUSTRY AND TECHNOLOGY (CAVIAT)

By: _____

Title: Jac Heiss, Superintendent

Dated this _____ day of _____, 2012, upon resolution of the JTED Governing Board approving this Agreement and authorizing its Superintendent to sign below:

Attorney approval:

This Agreement has been reviewed pursuant to A.R.S. §11-952 by the undersigned attorney who has determined that it is in proper form and is within the powers and authority granted under the laws of the State of Arizona to the JTED Governing Board.

By: _____
Legal Counsel for JTED

NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT

Dated this ____ day of _____, 2013, upon resolution of the District Governing Board of the Navajo County Community College District, approving this Agreement and authorizing its President to sign below:

NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT

By: _____
Title: Jeanne Swarthout, Ph.D., President

This Agreement has been reviewed pursuant to A.R.S. §11-952 by the undersigned attorney who has determined that it is in proper form and is within the powers and authority granted under the laws of the State of Arizona to the Governing Board of Navajo County Community College District.

By: _____
Legal Counsel for the Navajo County Community College District

EXHIBIT A

FINANCIAL PROVISIONS

1. APPROVED TUITION AND FEES APPLICABLE TO THIS AGREEMENT

Tuition: \$62 per credit hour. Media fee: \$35 per student per semester.
Course fees: \$75-\$145 for Fall semester; \$75-\$145 for Spring semester.

2. IDENTITY OF PERSON OR ENTITY RESPONSIBLE FOR PAYING STUDENT TUITION AND FEES

CAVIAT is responsible for payment of tuition, fees, and books. An individual billing account will be established for each participating student.

3. ADDITIONAL CHARGES

Except as provided in this section, no additional fees shall be charged for assessment tests, if any, used for placement purposes. Assessment fees, if any, will be charged subject to and in compliance with College policies and procedures, and relevant state statutes and regulations.

4. FINANCIAL AID POLICIES

Except as indicated in this section, College offers no grant, scholarship or financial aid for the dual enrollment program. The provision, if any, of any grant, scholarship or financial aid shall be subject to and in compliance with College policies and procedures, and relevant state statutes and regulations.

5. FORMAT FOR BILLING

Except as provided below, charges will be assessed each semester and invoices shall be sent no later than thirty (30) days after the end of the semester. Payment shall be due within thirty (30) days of receipt of the invoice.

Exhibit B

Type of Instruction

List the program offered and the courses associated with each program. For each course, list the name of the course offered, a description of the course, the days of the week and times the course will be offered, the credit hours earned for completion of the course, and the name of the instructor of the course.

Fall Semester

Industrial Maintenance and Operations (IMO)

Fall Semester: M, W 5:30 pm – 8:00 pm

Kenny Keith

IMO 210 – Power Principles I

*Description: First course in a series of four developing knowledge of the fundamental skills of a certified power plant operator. Topics include basic skills, industrial mathematics, plant safety, minor maintenance, reading diagrams and process sampling. Weekly labs emphasize course material. 6 credits and \$145 course fee.

Ronald Waline

IMO LAB

Spring Semester: W 5:30 pm - 8:30 pm Kenny Keith

IMO 210 – Power Principles I

*Description: First course in a series of four developing knowledge of the fundamental skills of a certified power plant operator. Topics include basic skills, industrial mathematics, plant safety, minor maintenance, reading diagrams and process sampling. Weekly labs emphasize course material. 6 credits and \$145 course fee.

IMO 211 – Power Principles II

Second course in a series of four developing knowledge of the fundamental skills of a certified power plant operator. Topics include valves, piping and auxiliaries, pumps, compressors, coal handling, and heat exchangers. Weekly labs emphasize course materials. Prerequisite: IMO 210 or instructor permission. 6 credits and \$145 course fee.

Ronald Waline

IMO LAB

Allen Goatson: T, R 5:30 pm-8:30 pm

IMO 201 – Intro to Industrial Maintenance

*Description: Preparatory course required for students wanting to take NCCER Industrial Maintenance Mechanic Levels 1-4. Students are exposed to basic building foundation skills in construction. 4 credits and \$75 course fee.

IMO230 – Mechanical Maintenance I

*Description - First course in a series of four developing a knowledge base of fundamental skills required of certified industrial maintenance mechanics. Modules include orientation of the trade, tools of the trade, fasteners, and anchors, oxyfuel cutting, gaskets, and packets, mathematics, construction drawing, pumps and valves, test instruments, rigging, mobile and support equipment, and lubrication. Weekly labs emphasize and anchor the course material. Co-Requisite: IMO 201 or instructor permission. 6 credits and \$145 course fee.

Spring Semester (up to 12 credit hours) M, W 5:30 pm – 8:00 pm – Instructors TBA

REQUEST TO APPROVE EXTERNAL HEARING OFFICERS, Procedure 2755

Recommendation: Staff recommends the approval of the list of external Hearing Officers under Procedure 2755, Discipline of Employees.

Summary: College Procedure 2755 requires that the District Governing Board approve a list of acceptable hearing officers on an annual basis (Procedure 2755, II.C). The approval of acceptable external hearing officers will be used for calendar year 2013. The list of Hearing Officers is provided by the college attorney and these individuals have agreed to serve if called on.



Northland Pioneer College

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NORTHLAND PIONEER COLLEGE

LIST OF HEARING OFFICERS/INVESTIGATORS

1. Jack Barker, Esq.
1630 East White Mountain Blvd., Suite B
Pinetop, Arizona 85935-7042
(928) 367-2448
2. Rod McDougall, Esq.
6739 North 2nd Avenue
Phoenix, Arizona 85013-1206
(602) 274-0522
3. Robert J. Higgins, Esq.
1630 East White Mountain Blvd., Suite B
Pinetop, Arizona 85935-7042
(928) 367-2448
4. Robert Van Wyck, Esq.
114 North San Francisco, Suite 204
Flagstaff, Arizona 86001-4539
(928) 213-0258
5. Russell Skelton, Esq.
2901 North Central Avenue
Suite 800
Phoenix, Arizona 85012-2703
(602) 263-1716

REQUEST TO APPROVE ADJUSTMENT TO FISCAL YEAR 2011-12 ADOPTED BUDGET

Recommendation:

Staff recommends approval of the adjustments to the fiscal year 2011-12 adopted budget.

Summary:

The Annual Budgeted Expenditure Limitation Reports (ABELR) for the fiscal year ending June 30, 2012 incorporates adjustments to reconcile the budgeted expenditures with the actual expenditures for the fiscal year. The details of the budget adjustments are included in the attached document.

The 2012 ABELR is under final review by the Office of the Auditor General and a copy of the audited report will be discussed at the regular February 2013 meeting of the District Governing Board.



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ADJUSTMENT TO FISCAL YEAR 2012 ADOPTED BUDGET

The proposed adjustment to the adopted budget is an outcome of the completed financial audit for the fiscal year ended June 30, 2012. The adjustment produced a favorable variance in the expenditure limitation report for the same year. The expenditure limitation report is under review by the State of Arizona Office of the Auditor General.

The adopted budget in the fiscal year ended June 30, 2012 for the General Fund, Auxiliary Enterprises Fund, Restricted Fund, and Unexpended Plant Fund were \$22,107,760, \$525,000, \$5,800,000, and \$4,400,000, respectively. As the District did not spend all of the General Fund, Auxiliary Enterprises Fund, Restricted Fund, and Unexpended Plant Fund, as of June 30, 2012, the budgets for these funds were reduced to the actual expenditure amounts of \$18,249,476, \$408,272, \$5,507,512 and \$3,207,611, respectively.

The following summarizes the original adopted budget, the revisions, and the actual expenditures reported for the year ended June 30, 2012.

	General Fund	Auxiliary Enterprises Fund	Restricted Fund	Unexpended Plant Fund	Total
Adopted Budget	\$ 22,107,760	\$ 525,000	\$ 5,800,000	\$ 4,400,000	\$ 32,832,760
Budget Adjustment	(3,858,284)	(116,728)	(292,488)	(1,192,389)	\$ (5,459,889)
Revised Budget	18,249,476	408,272	5,507,512	3,207,611	\$ 27,372,871
Actual Expenses	18,249,476	408,272	5,507,512	3,207,611	\$ 27,372,871
Variance	\$ -	\$ -	\$ -	\$ -	\$ -

REQUEST TO ACCEPT THE SINGLE AUDIT REPORTING PACKAGE FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Recommendation:

Staff recommends acceptance of the Single Audit Reporting Package for the fiscal year ended June 30, 2012.

Summary:

Copies of the Single Audit Reporting Package have separately been sent to the Board by the Office of the Auditor General. The audit resulted in an Unqualified Opinion on the Financial Statements with the continuation of two findings identified last year. The independent auditors removed the non-compliance issue related to funds received for the construction of the NATC facility. Three findings are identified in the Federal Awards section, which resulted in an Unqualified Opinion for all major programs except for the Higher Education-Institutional Aid program, for which an adverse opinion was expressed.

The 2012 audit was again completed well ahead of the submission deadline established by the US Department of Education, March 31, 2013. The audit was submitted to the US Department of Education on November 29, 2012, nearly one month earlier than last year. Many people across many departments were involved in the completion of the audit, including Bookstore, Business Office, Computer Services, Financial Aid, Information Services, Maintenance, Payroll, and Records and Registration. The key facilitator of the effort was Maderia Ellison, Director of Financial Services.

Management and staff of the Office of the Auditor General continue to provide timely and professional work. Staff members from the Office of the Auditor General will be in attendance to review the audit package and answer Board questions.

The draft financial statements and the draft financial statement audit findings were reviewed by the NPC Audit Committee on November 1, 2012 and the final Single Audit Report will be reviewed by the Audit Committee at the next regular meeting scheduled for February 5, 2013.



Northland Pioneer College

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REPORT HIGHLIGHTS
FINANCIAL STATEMENT AND
SINGLE AUDITS

Our Conclusion

Navajo County Community College District is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the District's financial statements, schedule, and major federal programs annually. A summary of the financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinion on the District's financial statements, a report on its schedule of expenditures of federal awards, and reports on its internal control and compliance over financial reporting and major federal programs. The information in the District's fiscal year 2012 financial statements and schedule of federal awards is reliable. Our reports identified internal control deficiencies and instances of noncompliance over major federal programs. These findings are summarized on the next page.



2012

Year Ended June 30, 2012

Condensed financial information

Statement of net assets—This statement reports all assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- **Invested in capital assets, net of related debt**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and external entities, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

Statement of revenues, expenses, and changes in net assets—This statement reports all revenues, expenses, and other changes in net assets. The change in net assets indicates whether financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2012, net assets increased by \$5.7 million, or 9 percent, as compared to an increase of \$7.9 million, or 13 percent, in fiscal year 2011.

Schedule of expenditures of federal awards—During fiscal year 2012, the District's educational and general operating expenses included \$4.8 million in federal awards expended. The District's federal award expenditures increased by \$84,000, or 2 percent, compared to fiscal year 2011.

**Condensed statement of net assets
As of June 30, 2012
(In thousands)**

Assets	
Current assets	\$41,338
Noncurrent, other than capital	880
Capital assets, net of depreciation	<u>33,031</u>
Total assets	<u>75,249</u>
Liabilities	
Current	3,006
Noncurrent	<u>87</u>
Total liabilities	<u>3,093</u>
Net assets	
Invested in capital assets, net of related debt	33,031
Restricted	735
Unrestricted	<u>38,389</u>
Total net assets	<u>\$72,155</u>

**Condensed statement of revenues,
expenses, and changes in net assets
For the year ended June 30, 2012
(In thousands)**

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 2,690
Government contracts	2,638
Other	<u>686</u>
Total operating revenues	<u>6,014</u>
Operating expenses	
Educational and general	25,213
Auxiliary enterprises	405
Depreciation	<u>1,367</u>
Total operating expenses	<u>26,985</u>
Operating loss	(20,971)
Nonoperating revenues	
Property taxes	12,704
State appropriations	8,182
Government grants	5,502
Other	<u>321</u>
Net nonoperating revenues	<u>26,709</u>
Increase in net assets	5,738
Net assets—beginning	<u>66,417</u>
Net assets—ending	<u>\$72,155</u>

**Condensed schedule of expenditures
of federal awards by grantor agency
Year ended June 30, 2012
(In thousands)**

U.S. Department of Education	\$4,596
U.S. Department of Labor	124
U.S. Small Business Administration	<u>85</u>
Total federal expenditures	<u>\$4,805</u>

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's information systems. For the federal compliance audit, we tested two federal programs under the major program guidelines established by the Single Audit Act and noted that the District did not always have adequate internal controls and did not always comply with certain federal program requirements for the Higher Education—Institutional Aid program. The Single Audit Reporting Package, which includes the auditors' reports on internal control and compliance over financial reporting and federal compliance and a Schedule of Findings and Questioned Costs, contains further details to help the District correct these deficiencies. The most significant findings and recommendations are summarized below.

Inadequate information system access, change, and recovery controls

The District did not have adequate procedures for granting, restricting, and monitoring system access rights, and for ensuring that all system and program changes were properly documented, authorized, tested, reviewed, and approved prior to implementation. In addition, the District did not have a documented and tested disaster recovery plan and backup process for its information system, which is vital to its daily operations.

Recommendations

The District should:

- Establish procedures for granting and restricting system access to help ensure that the access granted is appropriate for users, assigned to specific individual users for accountability, and immediately removed for terminated employees.
- Perform a comprehensive review of all existing system users annually to help ensure that access granted is compatible with their job responsibilities.
- Develop procedures for making system and program changes and separate responsibilities of developing and implementing changes from authorizing, testing, and approving them.
- Monitor system access for unusual or suspicious activity and investigate if found.
- Develop, implement, and test a disaster recovery plan and backup process.

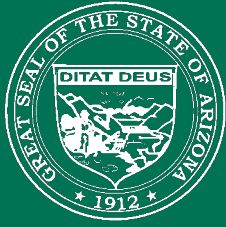
Noncompliance with federal program requirements

During fiscal year 2012, for the Higher Education—Institutional Aid federal grant program, the District paid six contractors approximately \$287,000 for goods and services without verifying that the contractors were not suspended or debarred from doing business with the federal government prior to awarding the contracts. In addition, the District did not certify or confirm that its employees who were paid \$79,000 of this grant program's monies represented employees' actual time and effort spent on program activities. The District's fiscal year 2012 federal award expenditures totaled \$435,000 for this grant program.

Recommendations

The District should:

- Establish procedures for verifying that contractors are not suspended or debarred from doing business with the federal government prior to awarding contracts.
- Develop procedures to certify or confirm that employee compensation charged to federal programs represent employees' actual time and effort spent on federal program activities.



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Navajo County
Community College
District
(Northland Pioneer College)
Year Ended June 30, 2012



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 of school districts, state agencies, and the programs they administer.



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Navajo County Community College District
(Northland Pioneer College)
Single Audit Reporting Package
Year Ended June 30, 2012

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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 Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Navajo County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Navajo County Community College District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

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. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*. 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Navajo County Community College District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages i through viii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards,

which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, 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.

Debbie Davenport
Auditor General

November 26, 2012

Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2012

This discussion and analysis prepared by the District's management introduces the basic financial statements and provides an overview of the District's financial activities for the year ended June 30, 2012. 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 U.S. generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments, including public institutions of higher education. These standards permit public colleges and universities to use the guidance for special-purpose governments engaged in business-type activities. The standards 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 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, 2012. 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, represent institutional equity or ownership in the District's total assets.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects the results of operations and other changes for the year ended June 30, 2012. 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* reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2012. 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 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 creates, supports and promotes lifelong learning. Major funding sources supporting all functions include property taxes, state appropriations, government grants and contracts, and tuition and fees. The District may exercise primary and secondary property tax levy authority for generation of funds used for operating, capital equipment, and debt retirement purposes.

The condensed financial information below highlights the main categories of the *Statement of Net Assets*. Assets are distinguished as either current or noncurrent. Current assets are resources available to meet the District's operating needs. Other liabilities are made up of accounts payable, deferred revenues, and accrued payroll and employee benefits. Net assets are divided into three categories reflecting the broad

Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2012

characteristics of institutional equity in the assets of the District. In addition to the District's capital assets, the District holds resources that external parties have restricted for specific programs or purposes. The remaining net assets are unrestricted but are dedicated to the District's primary mission. Over time, increases or decreases in net assets may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

Condensed Financial Information

The following is a listing of condensed financial information for the District as of June 30, 2012 and June 30, 2011:

Condensed Statement of Net Assets—Primary Government
Year Ended June 30

	2012	2011	% Change
Assets:			
Current assets	\$41,337,582	\$35,836,165	15%
Noncurrent assets, other than capital assets	880,298	822,062	7%
Capital assets, net	<u>33,030,762</u>	<u>31,586,774</u>	5%
Total assets	<u>75,248,642</u>	<u>68,245,001</u>	10%
Liabilities:			
Other liabilities	2,745,030	1,430,024	92%
Long-term liabilities	<u>348,345</u>	<u>398,385</u>	-13%
Total liabilities	<u>3,093,375</u>	<u>1,828,409</u>	69%
Net Assets			
Invested in capital assets, net of related debt	33,030,762	31,503,651	5%
Restricted net assets	735,512	717,570	1%
Unrestricted net assets	<u>38,388,993</u>	<u>34,195,371</u>	12%
Total net assets	<u>\$72,155,267</u>	<u>\$66,416,592</u>	9%

Current assets increased by \$5.5 million. The increase is related to cash and investments held with the county treasurer as a result of cost containment and planning initiatives. The increase will be used to help fund future capital needs.

Other liabilities increased by \$1.3 million; the increase is primarily related to accounts payable and accrued payroll and employee benefits. The District has initiated several capital projects and, as a result, increased accounts payable by \$763,000 at year-end. Accrued payroll and employee benefits also increased \$348,000 related to the timing of payments to third-party vendors for employee benefits.

Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2012

Total net assets increased by \$5.7 million because of a net increase from operations. The District intends to use unrestricted net assets to support capital needs over the next several years; it is dedicating \$28 million for fiscal years 2013, 2014, and 2015. While the District plans to use portions of its unrestricted net assets to allow it to provide consistent quality of services to students and communities, regular evaluation of financial resources will continue during the uncertain economic climate.

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 from exchange transactions are considered operating revenues. Other revenues such as state appropriations, property taxes, and certain government grants 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 three largest revenue sources, property taxes, state appropriations, and government grants, are considered nonoperating revenues. Please refer to the Summary of Significant Accounting Policies (Note 1) on pages 8 and 9, which directly follows the presentation of the basic financial statements, for a description of the differences between operating and nonoperating revenues.

Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2012

Condensed Statement of Revenues, Expenses, and
Changes in Net Assets—Primary Government Year
Ended June 30

	2012	2011 (As adjusted*)	% Change
Revenues:			
Operating			
Tuition and fees, net	\$ 2,690,260	\$ 2,021,106	33%
Government contracts	2,638,049	2,358,643	12%
Private grants and contracts	360,370	345,534	4%
Bookstore income, net	33,564	28,892	16%
Other	<u>291,648</u>	<u>369,299</u>	-21%
Total operating revenues	<u>6,013,891</u>	<u>5,123,474</u>	17%
Nonoperating			
Property taxes	12,703,703	11,988,497	6%
State appropriations	8,181,800	10,214,000	-20%
Government grants	5,502,290	4,955,825	11%
Share of state sales taxes	372,308	386,743	-4%
Investment earnings	136,283	124,907	9%
Gain (loss) on disposal of capital assets	<u>(180,305)</u>	<u>3,563</u>	-5160%
Total nonoperating revenues	<u>26,716,079</u>	<u>27,673,535</u>	-3%
Total revenues	<u>32,729,970</u>	<u>32,797,009</u>	0%
Expenses:			
Operating			
Operating	26,984,441	24,905,008	8%
Nonoperating			
Nonoperating	<u>6,854</u>	<u>3,428</u>	100%
Total expenses	<u>26,991,295</u>	<u>24,908,436</u>	8%
Increase in net assets	5,738,675	7,888,573	-27%
Total net assets, July 1	<u>66,416,592</u>	<u>58,528,019</u>	13%
Total net assets, June 30	<u>\$72,155,267</u>	<u>\$66,416,592</u>	9%

* The 2011 amounts for Tuition and fees, net and Government contracts were adjusted to reclassify tuition waivers associated with an intergovernmental agreement as a scholarship allowance.

Operating revenues increased overall by \$890,000. The tuition and fees increase of \$669,000 is associated with a timing issue in recognizing deferred revenues; excluding the timing issue, tuition and fees increased by \$338,000. The District started recognizing deferred revenues in fiscal year 2011, which were related to early registration for the Fall academic semester; fiscal year 2011 excludes a portion of Fall 2011 revenues, which was recognized in fiscal year 2010. Government contracts increased by \$279,000, primarily because of an increase in reimbursement from Apache County based on enrollment.

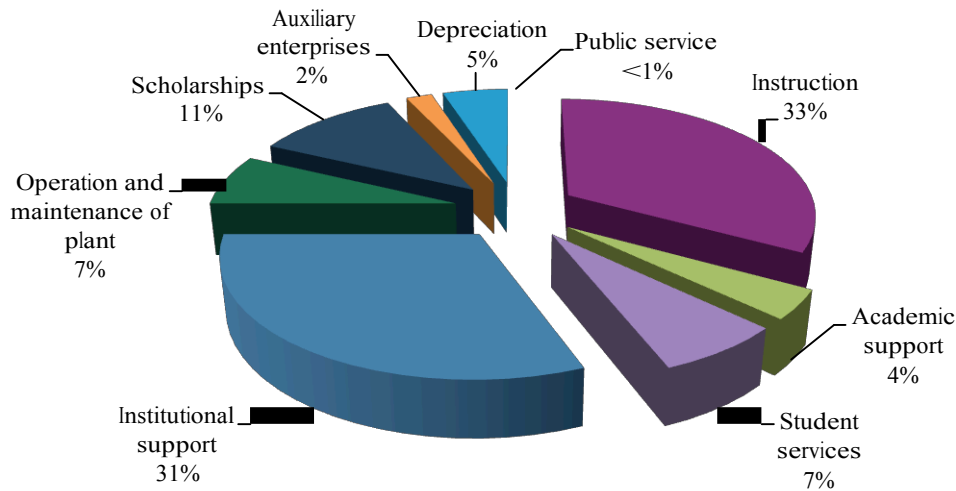
Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2012

Nonoperating revenues decreased \$957,000 related primarily to decreased state appropriations offset by increased property taxes and government grants. State appropriations, which includes state operating aid and equalization, decreased 20 percent compared to the prior year and funding is still below the statutory requirements. Of the 20 percent decrease, the state operating aid was reduced 52 percent, or \$1.9 million, and future cuts are expected to continue. The increase in property taxes was related to the District's decision to set the tax levy at the maximum; the District is unsure it will be able to continue this practice as economic conditions are still unstable. The increase in government grants is primarily related to the Higher Education—Institutional Aid, or Title III—Native American-Serving Nontribal Institutions grant, which includes a full year of reimbursement activity in the current fiscal year compared to the prior fiscal year, which had only 4 months of activity. The grant award is for \$1.9 million for 5 years and will allow the District to better serve its students by enhancing its technology, specifically expanding existing bandwidth, creating redundancy, supporting model classrooms, and implementing a virtual desktop infrastructure.

	2012	2011	% Change
Operating Expenses			
Educational and general:			
Instruction	\$ 8,827,606	\$ 8,450,971	4%
Public service	25,647	13,128	95%
Academic support	1,009,880	996,556	1%
Student services	2,015,021	1,532,942	31%
Institutional support	8,481,782	6,681,808	27%
Operation and maintenance of plant	1,758,007	1,563,034	12%
Scholarships	3,094,923	3,128,320	-1%
Auxiliary enterprises	404,767	1,217,755	-67%
Depreciation	<u>1,366,808</u>	<u>1,320,494</u>	4%
Total operating expenses	<u>26,984,441</u>	<u>24,905,008</u>	8%
Nonoperating Expenses			
Interest expense	<u>6,854</u>	<u>3,428</u>	100%
Total nonoperating expense	<u>6,854</u>	<u>3,428</u>	100%
Total expenses	<u>\$26,991,295</u>	<u>\$24,908,436</u>	8%

Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2012

2012 Operating Expenses by Category



Operating expenses increased by \$2.1 million, primarily because of Institutional support and Student services offset by Auxiliary enterprises. The District is concerned with maintaining comprehensive and quality services to the students and communities in its service area, and made a commitment for fiscal year 2012 to addressing technology and infrastructure needs as well as providing resources to college operations. Institutional support increased \$1.8 million driven primarily by Information Services (IS), with \$834,000, and Administrative Services, with \$827,000. IS spent \$551,000 related to remediation and improvements of its enterprise resource planning (ERP) system; the balance is related to computing equipment and staffing. Increases in Administrative Services are related to increasing security on campuses, leasing new facilities, and staffing. Student services increased \$482,000 related primarily to the Title III grant, \$313,000, and Financial Aid, \$75,000. The Title III—Native American-Serving Nontribal Institutions grant includes a full year of activity in the current fiscal year compared to the prior fiscal year, which had only 4 months of activity. Financial Aid has seen a significant increase in the number of students applying for Federal Student Financial Assistance over the last couple of years, and staffing was added to address the increased demand. Auxiliary enterprises decreased by \$813,000 related to the District's decision to adopt an online bookstore managed by a third party instead of maintaining a physical bookstore.

Capital Assets and Debt Administration

Capital assets are defined as those items costing over \$5,000 and that have an estimated useful life of more than 1 year.

Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2012

Over the course of several years, the District held off major capital acquisitions and construction because of the state of the economy; however, the District has since committed to addressing its capital needs starting with fiscal year 2012. In fiscal year 2012, the District spent \$2.3 million on deferred maintenance and repair of existing buildings and parking lots, and development of a Master Facilities Plan to assess future needs. Another \$1.9 million was used to address upgrades to its enterprise resource planning (ERP) system, and replace its telephone system and other network infrastructure. Of the \$4.2 million spent on facilities and IS needs, \$2.8 million were identified as capital assets based on the definition above; \$2.0 million related to facilities and \$800,000 related to IS.

For the upcoming year, the District is designating \$28.0 million of unrestricted net assets on a 3-year plan to continue to address facilities, deferred maintenance, and information technology needs. A portion of the capital funding will also come from current operations.

The 3-year plan includes building two new Skill Centers, one at its Painted Desert Campus (PDC), located in Holbrook, and the other at the White Mountain Campus, located in Show Low, for an estimated cost of \$13 million. The plan also includes \$10 million for maintenance and repair of existing buildings and parking lots to bring facilities up to standards district-wide. Lastly, the plan includes \$6 million for technology needs.

The District has commenced with the PDC Skill Center. It awarded the design of the center to the architectural firm of DLR Group, Inc. in March 2012 and awarded the construction of the facility to Whiteriver Construction, Inc. in September 2012. The center will be 26,600 square feet and will house welding, building construction, computer-based testing, shared services and future programs. The construction is expected to start in October 2012, with the project completed for Fall 2013.

Additional information on the District's capital assets can be found on page 12-13 in Note 3 to the basic financial statements.

The District currently has no long-term debt other than compensated absences, and does not anticipate acquiring new debt.

Current Factors Having Probable Future Financial Significance

The District has four primary revenues sources: property taxes, state appropriations, government grants and contracts, and tuition and fees.

Property taxes continue to be levied at the maximum rate allowed by statute; however, there is growing taxpayer opposition to this practice. Further, with the downturn in the economy, collection of assessed property taxes may become more difficult.

Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2012

State appropriations used to support the District's operations decreased by 52 percent for fiscal year 2012 from fiscal year 2011. Continued pressure on state appropriations is expected in the future and fiscal year 2013 is expected to see more decreases. The District received equalization state aid of \$6,452,000 in fiscal year 2012, which was a decrease of 3 percent from fiscal year 2011. Continued decreases in future equalization funding is expected because of decreased property values throughout the State. Equalization state funding may also be in jeopardy as the funding formulas for higher education in the State continue to be reevaluated.

Funding from external sources, including federal and local grants and contracts along with community and business partnerships, have become more important to the District. The District is pursuing additional grant and partnership opportunities while recognizing the increasingly competitive environment and constriction of available resources.

The District will continue to evaluate its tuition and fee structure and shift financial responsibility for education to students in the form of increased tuition and fees. However, the District is limited in the amount of increases it can implement based on the demographics of its service area. The District's service area covers approximately 21,158 square miles and is one of the poorest, most remote, and least populated of both Arizona and the United States. In-state tuition was increased 7 percent, up \$4 from \$56 to \$60 per credit hour in fiscal year 2012, which has been increased in fiscal year 2013 an additional 3 percent to \$62. The District continues to offer one of the lowest tuition rates in the State. A continuing demand for additional services and programs, along with increasing dissatisfaction with class availability and service reductions, must be balanced with anticipated reductions in funding.

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.

Separately issued financial statements are issued for Northland Pioneer College Foundation, a discretely presented component unit of Navajo County Community College District. Complete financial statements for the Foundation can be obtained from Northland Pioneer College Foundation, P.O. Box 610, Holbrook, Arizona 86025.

Navajo County Community College District
(Northland Pioneer College) Statement of Net
Assets—Primary Government June 30, 2012

	Business-Type Activities
Assets	
Current assets:	
Cash and investments	\$ 37,866,658
Receivables (net of allowances for uncollectibles):	
Accounts	1,227,545
Property taxes	510,056
Student loans, current portion	1,177,899
Inventories	68,697
Prepaid items	<u>486,727</u>
Total current assets	<u>41,337,582</u>
Noncurrent assets:	
Restricted assets:	
Cash and investments	729,273
Property taxes receivable (net of allowances for uncollectibles)	55,520
Student loans receivable (net of allowances for uncollectibles)	95,505
Capital assets, not being depreciated	2,468,905
Capital assets, being depreciated, net	<u>30,561,857</u>
Total noncurrent assets	<u>33,911,060</u>
Total assets	<u>75,248,642</u>
Liabilities	
Current liabilities:	
Accounts payable	1,023,574
Accrued payroll and employee benefits	621,688
Deferred revenues	1,059,264
Deposits held in custody for others	40,504
Current portion of compensated absences payable	<u>261,259</u>
Total current liabilities	<u>3,006,289</u>
Noncurrent liabilities:	
Compensated absences payable	<u>87,086</u>
Total noncurrent liabilities	<u>87,086</u>
Total liabilities	<u>3,093,375</u>

(Continued)

See accompanying notes to financial statements.

Navajo County Community College District
 (Northland Pioneer College) Statement of Net
 Assets—Primary Government June 30, 2012

(Concluded)

	Business-Type Activities
Net Assets	
Invested in capital assets, net of related debt	\$ 33,030,762
Restricted:	
Nonexpendable—endowments	12,414
Expendable:	
Capital projects	479,598
Scholarships, grants and contracts	243,500
Unrestricted	38,388,993
Total net assets	\$ 72,155,267

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Statement of Financial Position—Component Unit
June 30, 2012

	<u>Northland Pioneer College Foundation</u>
Assets	
Cash and cash equivalents	\$ 33,654
Restricted cash-savings	8,691
Accounts receivable	1,797
Investments:	
Marketable securities	321
Marketable securities-restricted	97,398
Real estate	12,000
Prepaid expense	5,400
Utility deposit	1,705
Land and building, net of accumulated depreciation	<u>35,927</u>
Total assets	<u>\$ 196,893</u>
Liabilities	
Accounts payable	<u>\$ 3,994</u>
Total liabilities	<u>3,994</u>
Net Assets	
Unrestricted	86,809
Temporarily restricted	23,648
Permanently restricted	<u>82,442</u>
Total net assets	<u>192,899</u>
 Total liabilities and net assets	 <u>\$ 196,893</u>

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government
Year Ended June 30, 2012

	Business-Type Activities
Operating revenues:	
Tuition and fees, net of scholarship allowances of \$2,229,756	\$ 2,690,260
Government contracts	2,638,049
Private grants and contracts	360,370
Bookstore income, net of scholarship allowances of \$43,091	33,564
Other sales and services	93,019
Other	<u>198,629</u>
Total operating revenues	<u>6,013,891</u>
Operating expenses:	
Educational and general:	
Instruction	8,827,606
Public service	25,647
Academic support	1,009,880
Student services	2,015,021
Institutional support	8,481,782
Operation and maintenance of plant	1,758,007
Scholarships	3,094,923
Auxiliary enterprises	404,767
Depreciation	<u>1,366,808</u>
Total operating expenses	<u>26,984,441</u>
Operating loss	<u>(20,970,550)</u>
Nonoperating revenues (expenses):	
Property taxes	12,703,703
State appropriations	8,181,800
Government grants	5,502,290
Share of state sales taxes	372,308
Investment earnings	136,283
Interest expense	(6,854)
Loss on disposal of capital assets	<u>(180,305)</u>
Net nonoperating revenues	<u>26,709,225</u>
Increase in net assets	5,738,675
Total net assets, July 1, 2011	<u>66,416,592</u>
Total net assets, June 30, 2012	<u>\$ 72,155,267</u>

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College) Statement of
Activities—Component Unit Year Ended
June 30, 2012

	Northland Pioneer College Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 1,751		\$ 13,923	\$ 15,674
In-kind donations	10,937			10,937
Special events revenue, net	2,736			2,736
Interest income	47	\$ 2,757	56	2,860
Rental income	74,902			74,902
Unrealized gain on investments		<u>2,655</u>	<u>53</u>	<u>2,708</u>
Total support and revenue	<u>90,373</u>	<u>5,412</u>	<u>14,032</u>	<u>109,817</u>
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>1,975</u>	<u>(1,975)</u>		
Total support, revenue, and net assets released from restrictions	92,348	3,437	14,032	109,817
Expenses:				
Program services	84,872			84,872
Support services	43,267			43,267
Unrealized loss on investments	<u>194</u>			<u>194</u>
Total expenses	<u>128,333</u>			<u>128,333</u>
Increase (decrease) in net assets	(35,985)	3,437	14,032	(18,516)
Net assets, beginning of year	<u>122,794</u>	<u>20,211</u>	<u>68,410</u>	<u>211,415</u>
Net assets, end of year	<u>\$ 86,809</u>	<u>\$ 23,648</u>	<u>\$ 82,442</u>	<u>\$ 192,899</u>

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2012

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 2,029,893
Government contracts	3,298,419
Bookstore receipts	33,564
Other receipts	291,648
Payments to suppliers and providers of goods and services	(6,057,417)
Payments for employee wages and benefits	(15,169,463)
Payments to students for scholarships and loans	<u>(3,094,923)</u>
Net cash used for operating activities	<u>(18,668,279)</u>
Cash flows from noncapital financing activities:	
Property taxes	12,837,944
State appropriations	8,181,800
Grants	5,502,290
Share of state sales taxes	372,308
Deposits held in custody for others received	8,937
Deposits held in custody for others disbursed	<u>(5,633)</u>
Net cash provided by noncapital financing activities	<u>26,897,646</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	5,531
Acquisition and construction of capital assets	(2,996,632)
Principal paid on capital debt	(83,123)
Interest paid on capital debt	<u>(6,854)</u>
Net cash used by capital and related financing activities	<u>(3,081,078)</u>
Cash flows from investing activities:	
Interest received on investments	<u>136,283</u>
Net cash provided by investing activities	<u>136,283</u>
Net increase in cash and cash equivalents	5,284,572
Cash and cash equivalents, July 1, 2011	<u>33,311,359</u>
Cash and cash equivalents, June 30, 2012	<u>\$ 38,595,931</u>

(Continued)

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Statement of Cash Flows—Primary Government
Year Ended June 30, 2012
(Concluded)

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (20,970,550)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,366,808
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	(265,332)
Student loans receivable	(295,256)
Inventories	(6,415)
Accounts payable	763,488
Accrued payroll and employee benefits	347,993
Deferred revenues	200,221
Compensated absences payable	33,083
Decrease in:	
Prepaid items	157,681
Net cash used for operating activities	\$ (18,668,279)
Reconciliation of cash and cash equivalents, as presented on the Statement of Net Assets:	
Cash and investments	\$ 37,866,658
Restricted assets:	
Cash and investments	729,273
Total cash and cash equivalents, June 30, 2012	\$ 38,595,931

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

Navajo County Community College District's accounting policies 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. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, the Northland Pioneer College Foundation (Foundation).

The Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and other educational purposes. Although the District does not control the timing or amount of the receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board (FASB) statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the District's respective counterpart financial statements. For financial reporting purposes, only the Foundation's statement of financial position and activities are included in the District's financial statements as required by generally accepted accounting principles for public colleges and universities. The Foundation has a June 30 year-end.

During the year ended June 30, 2012, the Foundation distributed \$18,080 to the District for both restricted and unrestricted purposes. Complete financial statements of the Foundation can be obtained from the Northland Pioneer College Foundation, P.O. Box 610, Holbrook, Arizona 86025-0610.

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.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

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 value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net assets includes gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets includes 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 exchange transactions. Accordingly, revenues, such as tuition and bookstore charges, are considered to be operating revenues. Other revenues, such as property taxes, state appropriations and certain government grants are not generated from exchange transactions 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 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. The District eliminates all internal activity.

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

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

November 30, 1989.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

C. Cash and Investments

For the statement of cash flows, the District’s cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer’s Local Government Investment Pool, and highly liquid investments. All investments are stated at fair value.

D. Inventories

Inventories are stated at the 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.

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	20 – 40 years
Equipment	5,000	Straight-line	5 – 10 years
Library books	All	Straight-line	10 years

F. Investment Earnings

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

G. Compensated Absences

Compensated absences payable consists 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 terminating employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Navajo County Community College District
 (Northland Pioneer College)
 Notes to Financial Statements
 June 30, 2012

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 the District provides and the amount that is paid by the student or third parties making payments on the student's behalf. 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, and bookstore income in the statement of revenues, expenses, and changes in net assets.

Note 2 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. The statutes do not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with another's property when making investment decisions about those monies. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

Deposits—At June 30, 2012, the carrying amount of the District's deposits was \$2,758,652, and the bank balance was \$3,292,796. The District does not have a policy for custodial credit risk.

Investments—The District's investments at June 30, 2012, were as follows:

Investment Type	Amount
State Treasurer's investment pool 5	\$13,057,190
County Treasurer's investment pool	<u>22,774,578</u>
Total	<u>\$35,831,768</u>

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the 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 provide for shares.

Credit risk—The District does not have a formal policy for credit risk. At June 30, 2012, credit risk for the District's investments was as follows:

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

Investment Type	Rating	Rating Agency	Amount
State Treasurer's investment pool 5	AAAf/S1+	Standard and Poor's	\$13,057,190
County Treasurer's investment pool	Unrated	Not applicable	<u>22,774,578</u>
Total			<u>\$35,831,768</u>

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The District does not have a formal investment policy for custodial credit risk.

Concentration of Credit Risk—The District does not have a formal policy for concentration of credit risk.

Interest Rate Risk—The District does not have a formal policy for interest rate risk. At June 30, 2012, the District had the following investments in debt securities:

Investment Type	Amount	Weighted Average Maturity
State Treasurer's investment pool 5	\$13,057,190	0.8 months
County Treasurer's investment pool	<u>22,774,578</u>	44.3 months
Total	<u>\$35,831,768</u>	

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

Cash, deposits, and investments:		Statement of Net Assets:	
Cash on hand	\$ 5,511	Cash and investments	\$37,866,658
Amount of deposits	2,758,652	Restricted assets:	
Amount of investments	<u>35,831,768</u>	Cash and investments	<u>729,273</u>
Total	<u>\$38,595,931</u>	Total	<u>\$38,595,931</u>

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 709,291			\$ 709,291
Construction in progress	<u>11,229</u>	<u>\$1,750,687</u>	<u>\$ 2,302</u>	<u>1,759,614</u>
Total capital assets not being depreciated	<u>720,520</u>	<u>1,750,687</u>	<u>2,302</u>	<u>2,468,905</u>
Capital assets being depreciated:				
Buildings	32,249,075			32,249,075
Equipment	5,672,624	1,199,524	1,774,846	5,097,302
Improvements other than buildings	7,149,853			7,149,853
Library books	<u>607,533</u>	<u>48,723</u>	<u>50,953</u>	<u>605,303</u>
Total capital assets being depreciated	<u>45,679,085</u>	<u>1,248,247</u>	<u>1,825,799</u>	<u>45,101,533</u>
Less accumulated depreciation for:				
Buildings	\$ 8,350,555	\$ 780,130		\$ 9,130,685
Equipment	4,030,749	351,645	\$1,589,010	2,793,384
Improvements other than buildings	2,080,824	185,393		2,266,217
Library books	<u>350,703</u>	<u>49,640</u>	<u>50,953</u>	<u>349,390</u>
Total accumulated depreciation	<u>14,812,831</u>	<u>1,366,808</u>	<u>1,639,963</u>	<u>14,539,676</u>
Total capital assets being depreciated, net	<u>30,866,254</u>	<u>(118,561)</u>	<u>185,836</u>	<u>30,561,857</u>
Capital assets, net	<u>\$31,586,774</u>	<u>\$1,632,126</u>	<u>\$ 188,138</u>	<u>\$33,030,762</u>

Note 4 - Construction and Commitments

The District had major contractual commitments related to various capital projects at June 30, 2012. At the White Mountain Campus, located in Show Low, the District committed to a major parking lot expansion that will increase parking for students from less than 200 to over 500, create additional entrances to the campus, improve traffic flow, and prepare the campus for future expansion. At June 30, 2012, the District had spent \$180,000 on the project and had remaining contractual commitments with contractors of \$2,015,000. Also at this campus, there is \$124,000 of building improvements that will be completed in fiscal year 2013. These projects are being financed by unrestricted net assets designated by the District Governing Board for these purposes.

Note 5 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within 1 year
Compensated absences payable	\$315,262	\$281,767	\$248,684	\$348,345	\$261,259
Capital leases payable	<u>83,123</u>		<u>83,123</u>		
Total long-term debt	<u>\$398,385</u>	<u>\$281,767</u>	<u>\$331,807</u>	<u>\$348,345</u>	<u>\$261,259</u>

Navajo County Community College District
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Notes to Financial Statements
June 30, 2012

Capital leases—The District acquired information systems equipment under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option.

The assets acquired through capital leases are as follows:

Information system equipment	\$124,684
Less accumulated depreciation	<u>24,937</u>
Carrying value	<u>\$ 99,747</u>

Note 6 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates with other Arizona community college districts and school districts in the Arizona School Risk Retention Trust, Inc. (Trust), 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 coverage limit for general liability is \$50,000,000 with no deductible except for employer’s liability which is \$500,000. The coverage limit for professional liability is \$300,000 with no deductible. The coverage limit for property insurance is \$45,000,000 with a \$1,000 deductible. The coverage limit for automobile liability is \$10,000,000 with no deductible. The coverage limit for commercial crime is \$1,500,000 with a \$100 deductible.

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. Settled claims resulting from these risks have exceeded commercial insurance coverage in two of the past 3 fiscal years; the District reached its life-time, no-fault limit on mold coverage for one campus in 2010. In the years ended June 30, 2011 and June 30, 2010, the District paid additional expenses of \$12,805 and \$10,175, respectively. There were no uninsured losses in the year ended June 30, 2012. The no-fault mold coverage is limited to \$25,000 per campus and covers direct physical loss or damage caused by fungus, wet or dry rot, or bacteria, including the cost of removal and the cost for clearance testing. The limitation is for mold damage not linked to a specific occurrence. Property damage insurance continues to be available for occurrences reported within 30 days of the event.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

The District participates with several local school districts in the Navajo County Schools Employee Benefit Trust (Trust). The District uses the Trust to manage 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 its 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 may 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. The Trust has not assessed the District any additional assessments above its annual contribution in any of the past 3 fiscal years.

Note 7 - Operating Leases

The District leases land, classroom and office space, information systems equipment, and vehicles under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenses under the terms of the operating leases were \$295,141 for the year ended June 30, 2012. The operating leases have remaining noncancelable terms of 1 to 3 years and provide renewal options.

Of the current rental expenses, \$72,501 was paid to the Northland Pioneer College Foundation (Foundation). The nature of the relationship between the District and the Foundation is stated in Note 10. The District entered into an operating lease with the Foundation for a building and parking lot. The term of the lease began February 14, 2006, and continues to February 13, 2015. There is a step-down rental provision of 20 percent that began March 1, 2011, and continues each March 1 thereafter.

The future minimum payments required under the operating leases at June 30, 2012, were as follows:

Year ending June 30	
2013	\$ 85,014
2014	43,865
2015	<u>13,182</u>
Total minimum lease payments	<u>\$142,061</u>

Navajo County Community College District
 (Northland Pioneer College)
 Notes to Financial Statements
 June 30, 2012

Note 8 - Pension and Other Postemployment Benefits

Plan descriptions—The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. 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 N. Central Ave., P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or 1-800-621-3778.

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, 2012, active plan members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.5 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the District was required by statute to contribute at the actuarially determined rate of 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The District's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

Year ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$968,778	\$61,837	\$23,940
2011	838,641	54,916	23,254
2010	859,122	67,989	41,171

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

Note 9 - Operating Expenses

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

Personal services	\$15,550,537
Contract services	2,680,066
Supplies and other services	3,086,612
Communications and utilities	1,183,082
Scholarships	3,094,923
Depreciation	1,366,808
Other	<u>22,413</u>
Total	<u>\$26,984,441</u>

Note 10 - Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

The significant accounting policies of Northland Pioneer College Foundation (Foundation) are described below to enhance the usefulness of the financial statements to the reader.

Nature of the Foundation—The Foundation is a not-for-profit corporation operating in accordance with Section 501(c)(3) of the Internal Revenue Code. The Foundation is located in Snowflake, Arizona, and provides supplemental philanthropic support for students, and programs and services that advance the mission of Northland Pioneer College (College). The Foundation receives cash contributions, gifts, membership dues, and rental income, administers and invests securities and property, conducts special-event fundraisers, and disburses payments to the College for educational purposes.

Basis of Accounting—The financial statements have been prepared on the accrual basis of accounting. All revenues received for support of current operations are immediately recorded as revenues while revenues received for support of future operations are deferred and recognized over the periods to which the revenues relate.

Financial Statement Presentation—The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

Income Taxes—The Foundation is a public foundation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 43-1201 of the Arizona Revised Statutes. Therefore, the accompanying financial statements contain no provision or liability for income taxes. In addition, the Foundation qualifies for the charitable deduction under Internal Revenue Section 170(b)(1)(A).

The Foundation files informational tax returns with the U.S. federal and Arizona state governments. With few exceptions, the Foundation is no longer subject to U.S. federal or Arizona state income tax examinations by tax authorities for years before 2008 (federal) and 2007 (Arizona) as of the year ended June 30, 2012.

Contributions—The Foundation records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Endowment Funds—The Foundation is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which requires enhanced disclosures for all its endowment funds. UPMIFA provides the Foundation with guidance on accounting for the net asset classification of such endowment funds.

Discounted or Donated Goods and Services—The Foundation receives certain discounted or donated goods and services that directly benefit the College and the Foundation. Amounts for these discounts and donations have been included in the accompanying financial statements to the extent that a measureable basis exists for their fair values and the corresponding benefit to the Foundation. These discounted or donated goods and services that are received by the Foundation for no value in return are recorded as program and support service expenses and as in-kind donations and are reflected in the financial statements at their fair values. If donated goods merely pass through the Foundation to charitable beneficiaries, and if the Foundation is only an agent for the donors, no contribution is recorded.

Property Held for Sale—Certain assets are received from donors by the Foundation and are held for resale. Such assets are recorded at their approximate fair market value at the date of donation. Property held for sale as of June 30, 2012, is reported as real estate investments.

Investments—Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Property & Equipment—Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with

Navajo County Community College District
 (Northland Pioneer College)
 Notes to Financial Statements
 June 30, 2012

explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets, which range from 10 – 40 years.

Date of Management’s Review—Management has reviewed events subsequent to June 30, 2012, up through the financial statements report date, September 26, 2012, to evaluate their effect on the fair presentation of the financial statements. As of the report date, there have been no events subsequent to June 30, 2012, that are required to be disclosed in order to present fairly the financial position and changes in net assets of the Foundation.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Major Concentrations—During the year ended June 30, 2012, one donor’s contributions comprised 11.97 percent of total support and revenue.

B. Cash

The total cash held by the Foundation at June 30, 2012, is as follows:

Checking	\$ 3,463
Money market	29,964
Savings	8,718
Petty cash	<u>200</u>
	<u>\$42,345</u>
Unrestricted cash	\$33,654
Restricted cash	<u>8,691</u>
	<u>\$42,345</u>

C. Investments

For the year ended June 30, 2012, investments consisted of marketable securities held with Edward Jones and real estate comprising several lots of land. The marketable securities have a fair value of \$97,719 and the real estate totals \$12,000 as of June 30, 2012.

Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2012

D. Restrictions on Net Assets

Temporarily restricted net assets in the amounts of \$23,648 as of June 30, 2012, consist of donated contributions and investment earnings, which are available for scholarships in future years. Permanently restricted net assets of \$82,442 as of June 30, 2012, represent two endowed scholarship funds.

E. Related Parties

For the year ended June 30, 2012, the Foundation subcontracted its Executive Director and makes payments to Chugg Financial Services, LLC, a company that is owned and operated by its Executive Director.

F. Endowment Funds

The Foundation's endowment consists of two funds established for the Charles E. Lisitsky Scholarship and the Martia A. Smith Memorial Art Scholarship. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

As of June 30, 2012, the endowment funds consisted of temporarily restricted net assets of \$14,957 and permanently restricted net assets of \$82,442, for a total of \$97,399.

Supplementary Information

Navajo County Community College District
(Northland Pioneer College) Schedule of
Expenditures of Federal Awards Year Ended
June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Labor Workforce Investment Act (WIA) Cluster: WIA Adult Program, passed through the White Mountain Apache Tribe	17.258	AB171810855A4	\$ <u>124,233</u>
U.S. Small Business Administration Small Business Development Centers, passed through Maricopa County Community College District	59.037	SBAHQ-12-B-0046	<u>85,109</u>
U.S. Department of Education Adult Education—Basic Grants to States, passed through the Arizona Department of Education Student Financial Assistance Cluster: Federal Supplemental Educational Opportunity Grants	84.002	V002A1100003	284,584
Federal Work-Study Program	84.007		68,903
Federal Pell Grant Program	84.033		80,078
Academic Competitiveness Grants	84.063		3,436,660
Total Student Financial Assistance Cluster	84.375		<u>676</u>
Higher Education—Institutional Aid			<u>3,586,317</u>
Career and Technical Education—Basic Grants to States, passed through the Arizona Department of Education	84.031		435,509
	84.048	V048A100003, V048A110003	205,085
Leveraging Educational Assistance Partnership, passed through the Arizona Commission for Postsecondary Education	84.069	None	32,483
Tech-Prep Education, passed through the Arizona Department of Education	84.243	V243A000003	<u>52,253</u>
Total U.S. Department of Education			<u>4,596,231</u>
Total Expenditures of Federal Awards			<u>\$ 4,805,573</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, 2012

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 on 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 2012 *Catalog of Federal Domestic Assistance* or from the federal or pass-through grantor.

Note 3 - Subrecipients

The District did not provide federal awards to subrecipients during the year ended June 30, 2012.

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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 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 financial statements of the business-type activities and discretely presented component unit of Navajo County Community College District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2012. Our report was modified to include a reference to our reliance on other auditors. 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. Other auditors audited the financial statements of the Northland Pioneer College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Northland Pioneer College Foundation were not audited by the other auditors in accordance with *Government Auditing Standards*. The Northland Pioneer College Foundation did not provide the reported results of the other auditors' testing of internal control over its financial reporting. Consequently, this report does not include our consideration of the other auditors' testing of internal control over financial reporting that is reported on separately by those other auditors.

Internal Control over Financial Reporting

The District's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-01 and 12-02 to be material weaknesses.

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*.

Navajo County Community College District's responses to the findings identified in our audit are presented on pages 37 through 41. We did not audit the District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, management, others within the District, 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.

Debbie Davenport
Auditor General

November 26, 2012



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on 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 Navajo County Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 of the District's compliance with those requirements.

As described in items 12-101 and 12-102 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with the requirements regarding procurement and suspension and debarment and allowable costs/cost principles that are applicable to its Higher Education—Institutional Aid program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph for the Higher Education—Institutional Aid program, Navajo County Community College District did not comply, in all material respects, with the requirements referred to above that could have a direct and material effect on that program. Also, in our opinion, Navajo County Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2012.

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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-101, 12-102, and 12-103 to be material weaknesses.

Navajo County Community College District's responses to the findings identified in our audit are presented on pages 37 through 41. We did not audit the District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, management, others within the District, 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.

Debbie Davenport
Auditor General

November 26, 2012

Navajo County Community College District
(Northland Pioneer College) Schedule of
Findings and Questioned Costs Year Ended
June 30, 2012

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Internal control over financial reporting:		
Material weaknesses identified?	<u>X</u>	_____
Significant deficiencies identified?	_____	<u>X</u> (None reported)
Noncompliance material to the financial statements noted?	_____	<u>X</u>

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<u>X</u>	_____
Significant deficiencies identified?	_____	<u>X</u> (None reported)

Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for the Higher Education—Institutional Aid program, for which an adverse opinion was expressed.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<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
84.375	Academic Competitiveness Grants
84.031	Higher Education—Institutional Aid

Navajo County Community College District
 (Northland Pioneer College) Schedule of
 Findings and Questioned Costs Year Ended
 June 30, 2012

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000		
	Yes	No	
Auditee qualified as low-risk auditee?	___	<u>X</u>	
<i>Other Matters</i>			
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>	___	

Navajo County Community College District
(Northland Pioneer College) Schedule of
Findings and Questioned Costs Year Ended
June 30, 2012

Financial Statement Findings

12-01

The District needs to establish policies and procedures for granting access and making changes to its information systems

Criteria: The District should have effective system access controls to help prevent and detect unauthorized use, damage, loss, or modification of programs and data, including sensitive and confidential information. In addition, the District should follow the policies and procedures in place to ensure that the integrity of the systems' information is protected against unauthorized system and program changes.

Condition and context: The District did not adequately control, restrict, and monitor logical access to its information systems during the year. Access granted was not always adequately controlled, since for three out of ten users tested, access was either not supported by documentation or not approved by the user's supervisor. Also, access for users whose employment was terminated was not always removed in a timely manner. Additionally, elevated access granted to the system was not properly controlled and restricted to only those users who needed it, and was not assigned to specific individuals to establish accountability. Further, the activity of users with elevated access was not periodically monitored. Specifically, auditors noted 13 access accounts that allowed elevated access for which no one person was accountable because the accounts were not assigned to specific individuals. Of these accounts, three accounts allowed changes to be made directly to the system's database. Auditors also noted four users who were assigned a high level of access which allowed them to make changes directly to the system's database when this access was either unnecessary or inappropriate for the job responsibilities. Finally, the District did not have policies and procedures in place to ensure that all system changes were properly documented, authorized, tested, reviewed, and approved prior to implementation.

Effect: There is an increased risk of theft, manipulation, or misuse of financial, sensitive, or confidential information by unauthorized users or by users whose access was not adequately controlled, restricted, and monitored. In addition, inadequate change management controls could lead to unauthorized changes to systems and programs and to the manipulation of data they contain.

Cause: The District has used the same information systems for many years, and had not established formal policies and procedures for granting access and making changes to them.

Recommendation: The District should establish policies and procedures to strengthen access controls and help prevent or detect unauthorized use, damage, or loss of information. These procedures should include the following:

³⁵₁₇ Restrict elevated and unlimited system access to only those individuals who need that level of access.

³⁵₁₇ Establish accountability for access granted by assigning access accounts to specific individual users, rather than using generic user accounts.

Navajo County Community College District
(Northland Pioneer College) Schedule of
Findings and Questioned Costs Year Ended
June 30, 2012

- ³⁵/₁₇ Develop a standardized form to document granting or revoking system access and the associated approvals and retain completed authorization forms.
- ³⁵/₁₇ Perform a comprehensive review of all existing system users annually to ensure that access granted is compatible with their job responsibilities.
- ³⁵/₁₇ Immediately remove access rights for employees who have terminated employment or transferred to another department.
- ³⁵/₁₇ Monitor direct database changes and system access for unusual or suspicious activity.
- ³⁵/₁₇ Require that changes to systems and programs be documented, authorized, tested, reviewed, and approved prior to implementation.
- ³⁵/₁₇ Separate the responsibilities for developing and implementing changes from the responsibilities of authorizing, testing, and approving changes. Changes initiated by users should also be approved by users.
- ³⁵/₁₇ Maintain documentation for testing changes and the results.

This finding is similar to a prior-year finding.

12-02

The District should develop and test a disaster recovery plan for its information systems

Criteria: It is critical that the District have an up-to-date contingency plan in place to provide for the continuity of operations and to ensure that data can be recovered in the event of a system or equipment failure or other system interruption. Data should be backed up in the event that a recovery is needed and encrypted to protect information while being stored on tape.

Condition and context: The District did not have a comprehensive disaster recovery plan for its information systems used to process and store financial and student information that is vital to its daily operations. In addition, while the District did back up its data, it did not log or track the backup tapes that were to be used to recover information for the District in the event of a disaster. Further, the District did not encrypt the tapes to protect sensitive information while being stored.

Effect: The District risks the ability to recover financial and student information and conduct daily operations in the event of a system or equipment failure or other interruption. In addition, without a log of its backup tapes, the District risks the ability to fully recover data in a timely manner. Additionally, without encrypting backup tapes, the District risks unauthorized use and disclosure of sensitive and confidential information if tapes are misplaced, lost, or stolen.

Cause: The District lacked policies and procedures for recovering its information systems and operations in the event of a disaster, and did not dedicate resources to establish and maintain a comprehensive disaster recovery plan.

Navajo County Community College District
(Northland Pioneer College) Schedule of
Findings and Questioned Costs Year Ended
June 30, 2012

Recommendation: To help ensure the continuity of the District's operations in the event of a system or equipment failure or other system interruption, the District should develop and implement a disaster recovery plan that includes the following policies and procedures:

- ³⁵₁₇ Perform a risk analysis identifying and prioritizing the critical applications to determine which applications should be recovered first.
- ³⁵₁₇ Communicate and distribute a copy of the disaster recovery plan to all affected employees.
- ³⁵₁₇ Maintain a copy of the disaster recovery plan off-site.
- ³⁵₁₇ Make arrangements for a designated physical recovery facility.
- ³⁵₁₇ Make arrangements with vendors to support hardware and software requirements.
- ³⁵₁₇ Maintain a log of backup tapes and develop a process for identifying tapes in the event they are needed.
- ³⁵₁₇ Encrypt backup tapes.
- ³⁵₁₇ List procedures for processing critical applications.
- ³⁵₁₇ Test and document the plan annually and update the plan for any problems noted.

This finding is similar to a prior-year finding.

Federal Award Findings and Questioned Costs

12-101 CFDA No.: 84.031 Higher Education—Institutional Aid U.S. Department of Education Award Period: October 1, 2010 through September 30, 2015 Procurement and suspension and debarment	Questioned Cost: None
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Criteria: The District should have policies and procedures to ensure that contracts greater than \$25,000 and subawards of federal monies are not made to an entity that is suspended or debarred from doing business with the federal government in accordance with 34 Code of Federal Regulations (CFR) §74.13.

Condition and context: The District paid six contractors approximately \$287,000 during the year; however, the District did not have procedures to obtain assurance or otherwise verify that the contractors were not suspended or debarred prior to awarding the contracts. Each of the six contractors received over \$25,000.

Effect: The District did not comply with the program's requirements for procurement and suspension and debarment. Further, without adequate policies and procedures, the District risks awarding federal monies to entities that may be suspended or debarred. Auditors extended auditing procedures and determined that the contractors were not suspended or debarred; therefore, there were no questioned costs noted for this finding. This finding has the potential to affect other federal programs that the District administers.

Navajo County Community College District
(Northland Pioneer College) Schedule of
Findings and Questioned Costs Year Ended
June 30, 2012

Cause: The District lacked policies and procedures for obtaining assurance and verifying that contractors are not suspended or debarred.

Recommendation: The District should establish policies and procedures to obtain assurance or otherwise verify that contracts greater than \$25,000 and subawards of federal monies are made to parties that have not been suspended or debarred from doing business with the federal government and retain documentation of this determination. Verification may be accomplished by checking the Excluded Parties List System, obtaining vendor certifications, or adding clauses or conditions to contracts.

12-102

CFDA No.: 84.031 Higher Education—Institutional Aid

U.S. Department of Education

Award Period: October 1, 2010 through September 30, 2015

Allowable costs/cost principles

Questioned Cost: None

Criteria: The District should have policies and procedures to ensure that employee compensation charged to federal programs is supported by records and represents employees' actual time and effort worked on federal programs. Specifically, 2 CFR §220, Appendix A, Section J(10), requires the District to maintain records that certify or confirm on an after-the-fact basis that employee compensation charged to federal programs represents a reasonable distribution of employees' actual time and effort worked on federal programs. In addition, such records should be retained for at least 3 years to comply with 34 CFR §80.42.

Condition and context: The District did not certify that employee compensation of approximately \$79,000 charged to the program during the year represented the employees' actual time and effort spent on the federal program. Specifically, the District had only one employee who worked solely on the program; however, the employee did not prepare documentation certifying that 100 percent of his time and effort was spent working on the program.

Effect: The District did not comply with the cost principles requirements outlined in 2 CFR §220, Appendix A, Section J(10). Auditors were able to perform additional auditing procedures to determine that the employee was authorized to work, and did work, solely on the program as allowed by the grant agreement; therefore, no questioned costs were noted for this finding. This finding has the potential to affect other federal programs the District administers.

Cause: The District lacked policies and procedures for certifying or confirming employees' time and effort spent on federal programs.

Recommendation: To comply with 2 CFR §220, Appendix A, Section J(10), and to help ensure that employee compensation charged to federal programs is allowable and properly supported, the District should establish policies and procedures for certifying or confirming on an after-the-fact basis that

Navajo County Community College District
(Northland Pioneer College) Schedule of
Findings and Questioned Costs Year Ended
June 30, 2012

employee compensation charged to federal programs represents employees' actual time and effort spent on federal programs. This certification should be maintained in the District's records and should be prepared and signed by the employee. In addition, the employee's supervisor or other responsible individual having first-hand knowledge or suitable means to verify the work performed by the employee should review and approve the certification.

12-103

CFDA No.: 84.031 Higher Education—Institutional Aid

U.S. Department of Education

Award Period: October 1, 2010 through September 30, 2015

Level of effort

Questioned Cost: None

Criteria: The District's grant agreement stipulated that 25 percent of the program director's time and effort be spent on program activities. Therefore, the District should have policies and procedures to ensure that level of effort requirements are met in accordance with the grant agreement.

Condition and context: The District did not have adequate records to support that the program director spent 25 percent of his time and effort on program activities as required by the grant agreement.

Effect: Because supporting documentation was not prepared and maintained to record the program director's time and effort spent on program activities, the District risks noncompliance with the level of effort requirement stipulated in the grant agreement. Auditors were able to perform further auditing procedures to determine that the program director reasonably met the required level of effort by examining other documentation evidencing the program director's time and effort spent on program activities; therefore, no questioned costs were noted for this finding. This finding has the potential to affect other federal programs the District administers.

Cause: The program director did not prepare time sheets or other detailed documentation to record the amount of time and effort spent on federal and nonfederal activities because the position was a salaried position, and the District did not require salaried employees to prepare time sheets. Also, as described in item 12-102, the District lacked policies and procedures for certifying or confirming employees' time and effort spent on federal programs.

Recommendation: To comply with the grant agreement's level of effort requirements, the District should establish policies and procedures for recording employees' time and effort, or otherwise certifying or confirming on an after-the fact basis employees' time and effort on federal programs.

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Northland

November 14, 2012

Ms. Debra K. Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by the standards applicable to financial audits contained in *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the corrective action planned for the financial reporting findings and the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

V. Blaine Hatch
Vice President for Administrative Services

Quality education you can afford.

Navajo County Community College District
(Northland Pioneer College)
Corrective Action Plan
Year ended June 30, 2012

Financial Statement Findings

12-01

The District needs to establish policies and procedures for granting access and making changes to its information systems

Eric Bishop, Director of Information Services
Anticipated completion date: June 30, 2013

Corrective Action Plan:

The District is aware of the issues related to its information systems and concurs with the finding and recommendations. The District will continue with its efforts to develop policies, procedures and mechanisms to strengthen access and change management controls related to its computer systems.

The District has put into place the following procedures:

³⁵₁₇ Developed and approved a standardized form to document when system access is granted and revoked.

³⁵₁₇ Developed a change management process and standardized form.

The District will continue to work on the following:

³⁵₁₇ Work with ERP vendor and seek consultation to help find the proper balance of access levels related to job responsibilities and overall system security.

³⁵₁₇ Solidify process for removing users from the system on termination of employment and verifying access levels to staff members who change roles within the institution.

³⁵₁₇ Minimize number of users who have elevated access to the system and work with ERP vendor to develop a means to monitor the activities of those users. The District is unable to remove accounts not assigned to specific individuals (generic user accounts) due to system architecture constraints.

³⁵₁₇ Audit user access permissions on an annual basis.

³⁵₁₇ Work internally and with outside vendors to conduct a risk analysis of computing systems.

The District has been working on the recommendation for six months and will continue with its efforts.

Navajo County Community College District
(Northland Pioneer College)
Corrective Action Plan
Year ended June 30, 2012

12-02

The District should develop and test a disaster recovery plan for its information systems

Eric Bishop, Director of information Services
Anticipated completion date: June 30, 2013

Corrective Action Plan:

The District is aware of the issue related to disaster recovery and concurs with the finding and recommendation. The District will develop policies, procedures and mechanisms to maintain a comprehensive disaster recovery plan. Some work has already been done but has not been formalized or finalized. Specifically, the District will:

- ³⁵₁₇ Perform a risk analysis of all information systems.
- ³⁵₁₇ Continue to work internally to develop a comprehensive disaster recovery plan and distribute this plan to multiple users both inside and outside of the IS Division.
- ³⁵₁₇ Develop a schedule for testing the new disaster recovery plan.
- ³⁵₁₇ Continue to backup system data to take and store at an off-site location.
- ³⁵₁₇ Encrypt data stored on backup tapes.
- ³⁵₁₇ Log backup tapes as they leave data center locations and when they arrive at off-site storage sites.
- ³⁵₁₇ Continue efforts to create a fully functional, redundant data center to provide high availability to our systems and associated data.

The District will continue with its efforts to implement the recommendations.

Federal Award Findings and Questioned Costs

12-101

CFDA No.: 84.031 Higher Education—Institutional Aid

John Bremer, Controller, and Eric Bishop, Director of IS & Title III Grant/Program Director

Completion Date: January 1, 2013

Corrective Action Plan:

The District has been made aware of procedural requirements related to awarding contracts of federal monies and concurs with the finding and the recommendation. The District has developed draft procedures to require that all contracts greater than \$25,000 and all subawards of federal monies are made to parties that have not been suspended or debarred from doing business with the federal government and will retain documentation of this determination. The draft procedures have been followed for approximately six months, but require further revision to ensure the \$25,000 threshold for contracts is based on an aggregate amount of spending and not a unit transaction amount.

Navajo County Community College District
(Northland Pioneer College)
Corrective Action Plan
Year ended June 30, 2012

12-102

CFDA No.: 84.031 Higher Education—Institutional Aid

John Bremer, Controller, and Eric Bishop, Director of IS & Title III Grant/Program Director

Completion Date: January 1, 2013

Corrective Action Plan:

The District has been made aware of procedural requirements related to employee compensation charged to federal programs and concurs with the finding and recommendation. The District will establish procedures to certify that employee compensation charged to federal programs is supported by records and represents actual time and effort worked on federal programs. This certification will be maintained in the District's records and will be prepared and signed by the employee on a periodic basis. In addition, the employee's supervisor, or other responsible individual having first-hand knowledge to verify the work performed by the employee, will review and approve the certification.

12-103

CFDA No.: 84.031 Higher Education—Institutional Aid

John Bremer, Controller, and Eric Bishop, Director of IS & Title III Grant/Program Director

Completion Date: January 1, 2013

Corrective Action Plan:

The District has been made aware of procedural requirements related to records kept to show compliance with level of effort program requirements in accordance with the grant agreement and concurs with the finding and recommendation. The District will establish procedures for recording employees' time and effort, or otherwise certifying on a quarterly basis the employees' time and effort spent on federal programs.

Northland

November 14, 2012

Ms. Debra K. Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards. This schedule also includes audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,

V. Blaine Hatch
Vice President for Administrative Services

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Navajo County Community College District
(Northland Pioneer College) Summary
Schedule of Prior Audit Findings Year
Ended June 30, 2012

Status of Prior Year Federal Award Findings and Questioned Costs

CFDA Number: 84.048 Career and Technical Education—Basic Grants to States, U.S. Department of Education

Finding Number: 11-101

Status: Fully Corrected

CFDA Number: 84.048 Career and Technical Education—Basic Grants to States, U.S. Department of Education

Finding Number: 11-102

Status: Not Corrected. The District has developed draft procedures to ensure that contracts greater than \$25,000 and all subawards of federal monies are made to parties that have not been suspended or debarred and will retain documentation of this determination. The draft procedures have been followed for approximately six months, but require further revision to ensure the \$25,000 threshold for contracts is based on an aggregate amount of spending and not a unit transaction amount. The draft procedures will be revised and finalized by January 1, 2013.

2013-14 BUDGET DEVELOPMENT UPDATE

Summary:

Staff has distributed budget development documents as delineated in the calendar and in accordance with the assumptions and guidelines approved by the Board for budget development..

The declining enrollment trend along with increased costs of maintaining services will impact the ability of the college to remain below the statutory expenditure limit. A short term strategy of using carryforward revenues will be discussed, along with the expenditure limit information on the following page.

Staff will be prepared to address any general budget questions the Board may have.

An introductory budget overview of revenue and expenditure trends will be presented to the Board at the regular meeting in February. The regular meeting in March will include a preliminary budget analysis focused on recommended budget plans.



Northland Pioneer College

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Enrollment and Expenditure Limit

FYE	Estimated FTSE	Actual FTSE	Expenditure Limit/ Estimated FTSE	Statutory Expenditure Limit	<i>Alternative Expenditure Limit</i>	<i>Bookstore Revenues</i>	Expenditures Subject to Limit
1998	2,375	2,102	5,110	12,135,941			12,135,940
1999	2,275	1,998	5,236	11,911,074			11,911,073
2000	2,175	2,092	5,259	11,438,325			11,417,776
2001	2,150	2,414	5,417	10,924,132	11,645,836		11,514,058
2002	2,375	2,574	5,579	12,494,304	13,250,523		12,818,881
2003	2,650	2,792	5,747	14,259,188	15,228,338		14,499,064
2004	2,750	2,747	5,445	14,974,540			14,912,924
2005	2,900	2,709	5,529	16,035,507			14,429,617
2006	2,900	2,408	5,613	16,278,691			15,915,946
2007	2,800	2,304	5,816	16,284,629			16,202,909
2008	2,675	2,501	6,019	16,100,110			15,416,094
2009	2,550	2,682	6,208	15,829,198		1,088,932	15,829,197
2010	2,650	2,396	6,348	16,823,427			15,515,610
2011	2,650	2,219	6,448	17,086,770			14,738,989
2012	2,500	2,070	6,501	16,251,916			15,751,978
2013	2,400	2,000	6,658	15,978,265			16,800,000
2014	2,200	2,200	6,772	14,899,208			17,400,000

Enrollment and Expenditure Limit

FYE	Estimated FTSE	Actual FTSE	Expenditure Limit/ Estimated FTSE	Statutory Expenditure Limit	<i>Alternative Expenditure Limit</i>	<i>Bookstore Revenues</i>	Expenditures Subject to Limit
1998	2,375	2,102	5,110	12,135,941			12,135,940
1999	2,275	1,998	5,236	11,911,074			11,911,073
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2011	2,650	2,219	6,448	17,086,770			14,738,989
2012	2,500	2,070	6,501	16,251,916			15,751,978
2013	2,400	2,000	6,658	15,978,265			16,800,000
2014	2,200	2,200	6,772	14,899,208			17,400,000

HUMAN RESOURCES UPDATE

DGB-January 15, 2013

FILLED

- 1. Academic Advisor – Debra McGinty. Dr. McGinty has received her Bachelor of Science in Nursing from the University of Cincinnati; She has two Master’s degrees, one is a Master in Business Administration from the University of Phoenix and the other is a Master in Nursing from the University of Washington. She also has her Ph.D. from the University of Arizona**
- 2. Faculty in Biology – Eleanore Hempsey. Dr. Hempsey received her Bachelor of Science from the University of Redlands; she received a Masters in Philosophy from the University of Cambridge and she holds a Ph.D. from the University of Ulster, Coleraine.**
- 3. Director of Administrative Systems Support – Kristine Sleighter holds a Bachelor of Science, a Master of science and a Master of Arts all from the University of Phoenix.**
- 4. ASC-GIEC Grant Project Coordinator – Bill Fee. Dr. Fee has a Bachelor of Science, a Master of Education and a Ph.D. all from the University of Arizona.**

OPEN

- 5. Faculty in Philosophy – First review November 15, 2012; 34 applicants**
- 6. Faculty in Nursing - open until filled; 1 applicant**
- 7. Database Administrator – open until filled; 4 applicants**
- 8. Audio/Video Support Technician – Closed January 4, 2013; 1 applicant**



Northland Pioneer College

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