

Notice of Public Meeting

Pursuant to A.R.S. § 38-431.02, legal 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 19, 2010 at 10:30 a.m. Notice is further given that the Board will hold a Study Session open to the public beginning at 9:30 a.m. All sessions will be held at the Northland Pioneer College Painted Desert Campus, Tiponi Community Center, 2251 Navajo Blvd., Holbrook, Arizona.

The public is invited to check on addenda that may be posted up to 24 hours prior to the meetings. Copies of the meeting agendas may be obtained through the Office of the President, Northland Pioneer College, Painted Desert Campus, 2251 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 Russell Dickerson at the above address or telephone number at least 24 hours prior to the scheduled time.

The District Governing Board may enter into an executive session as provided in ARS §38-431.03 A(3) [discussion or consultation for legal advice with the attorney or attorneys of the public body] relating to any listed agenda item. Should the District's attorney not be present in person, notice is further given that the attorney may appear by speakerphone.

I, Russell Dickerson, certify that this notice of public meeting, prepared pursuant to A.R.S. § 38-431.02, was posted on the 15th day of January, at 9:30 a.m.

Russell Dickerson, 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

Post Office Box 610 • Holbrook, Arizona • (928) 524-7600 • Fax: (928) 524-7612 • www.npc.edu

Governing Board Study Session Agenda¹

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

Date: January 19, 2010

Time: 9:30 a.m.

<u>Item</u>	<u>Description</u>	<u>Resource</u>
1.	Request to Accept the Single Audit Reporting Package (T3) ----- (Action)	Vice President Hatch
2.	Request to Approve DGB Policy 1923 – Financial Condition (T4) ----- (Action)	Vice President Hatch
3.	Proposed Budget Reduction Plan (T5) ----- (First Read)	President Swarthout
4.	Request for Direction Regarding Show Low Bluff Proposal (T6) ----- (Action)	President Swarthout

¹ The District Governing Board may consider any item on this agenda in any order and at any time during the meeting.



Northland Pioneer College

Post Office Box 610 • Holbrook, Arizona • (928) 524-7600 • Fax: (928) 524-7612 • www.npc.edu

Governing Board Meeting Agenda¹

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

Date: January 19, 2010

Time: 10:30 a.m.

<u>Item</u>	<u>Description</u>	<u>Resource</u>
1.	Call to Order and Pledge of Allegiance -----	Chairman Jeffers
2.	Adoption of the Agenda (T1) ----- (Action)	Chairman Jeffers
3.	Election of Board Officers ----- (Action)	Chairman Jeffers
4.	Call for Public Comment -----	Chairman Jeffers
5.	Reports	
	A. Financial Position (T7) -----	Vice President Hatch
	B. NPC CASO -----	Ina Sommers
	C. NPC Faculty Association -----	Sandra Johnson
	D. NPC Student Government Association -----	Jake Hinton
	E. NPC Foundation -----	Lance Chugg
6.	Consent Agenda ----- (Action)	Chairman Jeffers
	A. December 15, 2009 Study Session Minutes (T2)	
	B. December 15, 2009 Regular Board Meeting Minutes (T2)	
	C. December 15, 2009 Executive Session Minutes (T2)	
7.	Old Business	
	A. None.	
8.	New Business	
	A. Request to Accept the Single Audit Reporting Package (T3) ----- (Action)	Vice President Hatch
	B. Request to Approve DGB Policy 1923 – Financial Condition (T4) ---- (Action)	Vice President Hatch
	C. Request for Direction Regarding Show Low Bluff Proposal (T6) ----- (Action)	President Swarthout
9.	Standing Business	
	A. Human Resources Update (T8) -----	Peggy Belknap
	B. Outstanding Alumnus Award -----	President Swarthout
		Kathy White
	C. Strategic Planning and Accreditation Steering Committee Report -----	President Swarthout
10.	President’s Report -----	President Swarthout
11.	Board Report/Summary of Current Events -----	Board Members
12.	Announcement of Next Regular Meeting ----- February 16, 2010	Chairman Jeffers
13.	Adjournment ----- (Action)	Chairman Jeffers

¹ 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.



Northland Pioneer College

Post Office Box 610 • Holbrook, Arizona • (928) 524-7600 • Fax: (928) 524-7612 • www.npc.edu

Navajo County Community College District Governing Board Study Session Minutes

December 15, 2009

2251 Navajo Boulevard, Holbrook, Arizona, 86025

Governing Board Members Present: Ginny Handorf, E.L. Parsons, Daniel Peaches and A.T. Siquah.

Staff Present: President, Dr. Jeanne Swarthout; Vice President, Blaine Hatch; Vice President, Mark Vest; Recording Secretary to the Board, Russell Dickerson.

Reports:

1. **Agenda Item 7.A.: Response to ADEQ Regarding Determination Letter – Vice President Hatch**

Mr. Hatch reported that the college has received a determination letter from ADEQ following a telephone conference with ADEQ officials. Mr. Hatch reported that ADEQ seems willing and interested in assisting the college with a variety of options and currently, there is nothing pending and that notices of violation have been issued to both the contractor and subcontractor. Mr. Hatch added that ADEQ indicated that the subcontractor has contacted ADEQ; the contractor has not. Mr. Hatch explained that this matter has been brought before the Board because the letter indicated that the college could appeal ADEQ's decision not to exempt buried materials and that staff are seeking Board direction. Mr. Hatch explained that staff feels that it is in the best interest of the college and the community to work with ADEQ and recommended that the college not initiate the appeal process. Mr. Hatch noted that moving forward with ADEQ to seek a resolution may result in the college receiving a contribution by the Environmental Protection Agency to help clean up the site.

2. **Agenda Item 8.A.: Request to Approve 2010-2011 Budget Development Calendar – Vice President Hatch**

Mr. Hatch recommended that the college adhere to the normal budget planning process despite the fact that decisions are made late within the fiscal year that affect the next annual budget. Mr. Hatch explained that the best approach is to build a budget based upon the best available information and to adjust it, if necessary. Mr. Hatch summarized the proposed budget development calendar which calls for Board approval of tuition and fee schedules in March, approval of salary schedules in April, and public hearings for taxpayers and final 2010-2011 budget adoption to take place at the May 18, 2010 Board meeting. Mr. Hatch noted that the college will realize some savings as only notices of budget hearings need to be published in local newspapers, as opposed to the entire proposed budget which may be posted to the NPC website. Mr. Hatch anticipates that there may still be legislative budget finalization that will occur right up to the end of the fiscal year.

Ms. Handorf asked if staff anticipate tuition and fee schedule changes. Mr. Hatch explained that some preliminary discussions have occurred and that Dr. Swarthout has asked College Council to examine tuition and consider the effect of a \$3 per credit hour tuition increase that would generate approximately \$150,000 in additional revenue.

Mr. Hatch presented the current copy of highlights published by the Joint Legislative Budget Committee (JLBC) and reported that State expenditures exceeded revenues by \$644 million, State general fund revenues are at a \$1.65 billion deficit and that year to date State revenues are nearly 18% below the prior year, or nearly \$400 million below budget. Mr. Hatch anticipates that State cash flow will drive, primarily, what will happen to the college budget for the current fiscal year, as well as for 2010-2011. Mr. Hatch added that the business officers of the community colleges met briefly with the new director of the Governor's budget office and were told that the current year deficit is \$1.5 billion. Mr. Hatch explained that for the current fiscal year the State would have to further reduce expenditures, where they can, by about 40% in order to bridge the budget gap. Mr. Hatch added that the Governor's office predicts a \$3.3 billion budget gap for next year. Mr. Hatch reported that the Governor has called for a special session to begin on Thursday of this week.



Addressing revenue trends, Mr. Hatch presented Board members with four possible State funding scenarios that may occur:

- **Option 1:** For 2010-2011, State operating aid would be reduced by 15% and equalization aid reverts to 2007-2008 levels for a total reduction in State aid of 28%, or \$2.85 million. For 2011-2012, State operating and equalization aid would be reduced another 10%. Mr. Hatch does not anticipate growth in property taxes and the college will continue to levy annual 2% increases as allowed by statute. In this scenario, the 2010-2011 revenue stream is similar to 2009-2010 and the 2011-2011 revenue is similar to 2007-2008. Mr. Hatch noted that option 1 does little to change how the college operates beyond continued expenditure retrenchment and improvement.
- **Option 2:** For 2010-2011, State operating and equalization aid are both reduced by 40% resulting in aid slightly below 2007-2008 levels, totaling \$4 million in reductions to State aid. For 2011-2012, both State operating and equalization aid are reduced by another 30% which would total another \$1.8 million. Mr. Hatch explained that in this scenario, there are no anticipated changes to tuition and fees and property taxes and the resultant \$20 million revenue stream is comparable to what the college received in 2006-2007. 2011-2012 revenue of \$19 million is comparable to what the college received in 2005-2006.
- **Option 3:** For 2010-2011, State operating aid would be totally eliminated and equalization aid would revert back to 2005-2006 levels for a \$7.8 million total reduction in State aid. Mr. Hatch added that under this scenario, the college would experience a 30% reduction in tuition revenues resulting in a total revenue reduction of \$8.4 million for 2010-2011. For 2011-2012, State equalization aid would be reduced an additional 25% and tuition would drop 15%, resulting in an additional \$1 million decrease.
- **Option 4:** For 2010-2011, State operational and equalization aid are eliminated entirely for a total reduction of \$10 million and tuition collection would drop by 40% for a total revenue reduction of \$11.2 million. For 2011-2012, tuition would drop by an additional 20%, or \$300,000.

As a frame of reference, Mr. Hatch provided Board members with actual college expenditure totals for years 2006 through 2009 and added that current year expenditures are expected to total \$21.2 million. Based upon current expenditures:

- **Option 1:** no significant change to college expenditures.
- **Option 2:** would require the college to reduce expenditures by \$600,000 in 2010-2011 and \$2.2 million in 2011-2012.
- **Option 3:** would require the college to reduce expenditures by \$4.8 million in 2010-2011 and \$5.7 million in 2011-2012.
- **Option 4:** would require the college to reduce expenditures by \$8 million.

Responding to a Board question, Mr. Hatch, based upon the condition of State revenues, anticipates that option 3 is most likely and would result in a \$4.9 million expenditure reduction for 2010-2011 and a further reduction of \$800,000 for 2011-2012. Mr. Hatch added that such reductions will have a significant impact on what services the college will be able to offer.

Mr. Hatch reported that the college is currently on target and has received 50% of State aid and anticipates that the third quarter installment will be received in January. Mr. Hatch cautioned the Board that as the State's cash flow is depleted, the possibility of a fourth quarter deferment increases. Mr. Hatch reported that property tax receipts are ahead of target with \$2.25 million received through November and added that the college must receive about \$600,000 in December to remain on target.

3. Agenda Item 8.B.: Request to Proceed with Paper Recycling Proposal – President Swarthout

Dr. Swarthout reported that the college Sustainability Committee has been working on a number of sustainability initiatives that tie into cost cutting and revenue generating efforts. The committee has brought forth a proposal for paper recycling in association with Keith Webb who will be responsible for picking up and delivering loads to the paper mill. Dr. Swarthout added that the recycling project is not yet a formal proposal and that the college requests Board permission to continue to work toward an agreement. Dr. Swarthout added that the compensation for paper fluctuates with market value, but at this point, the college has received a compensation amount of \$20 per ton.

Responding to a Board question, Dr. Swarthout explained that the amount of paper generated by the college has not



been firmly determined and expressed the hope that college paper use is decreasing due to use of MyNPC to post documents and the development of paperless processes. Dr. Swarthout explained that to be effective, a paper recycling program will require college-wide retraining of personnel.

4. Study Session Agenda Item 4.: Request Board Support for Legislative Summit with Coconino (CCC) and Mohave (MCC) Community Colleges – President Swarthout

Dr. Swarthout reported that NPC, CCC and MCC have good working relationships stemming from meetings of the presidents and cooperative marketing efforts. Dr. Swarthout explained that it is in the best interest of the three community colleges to continue to work together to maintain a solid presence among all community college districts. Dr. Swarthout reported that the three colleges would like to begin to hold annual legislator summit meetings for the legislators from the three community college districts and the district governing boards from each college. Dr. Swarthout requested Board support for NPC to pursue the idea and added that the college lobbyist would be consulted to determine if an initial summit in the fall is compatible with legislative schedules. Ms. Handorf and Mr. Parsons agreed that the three community colleges should work together and supported the legislative summit idea. Dr. Swarthout reported that the second meeting of the Arizona Community College Council is scheduled for Thursday. Ms. Handorf reported that Maricopa Community College will host a national conference of district governing boards in March 2010.

Study session ended at 10:23 a.m.

Respectfully submitted,

Russell Dickerson
Recording Secretary to the Board

Bill Jeffers
Chairman

Ginny Handorf
Secretary to the Board



Navajo County Community College District Governing Board Meeting Minutes

December 15, 2009 – 10:30 a.m.
2251 Navajo Boulevard, Holbrook, Arizona, 86025

Governing Board Member Present: Ginny Handorf, E.L. Parsons, Daniel Peaches and A.T. Siquah.

Staff Present: President, Dr. Jeanne Swarthout; Vice President, Blaine Hatch; Vice President, Mark Vest; Recording Secretary to the Board, Russell Dickerson.

Others Present: Everett Robinson, Ann Hess, Linda Kor, Peggy Belknap, Maderia Ellison, Beulah Bob-Pennypacker, Preston Romero, Karalea Kowren, Bobbi Sample, Tabitha Stickel, Kate Dobler-Allen, Sandra Johnson, Bobette Welch, Lee Sweetman, Jan Van Dierendonck, Clifton Lewis, Idalia Lewis, Claude Endfield, Barry Richins, Eric Henderson, Julie Holtan and Donna Ashcraft.

Agenda Item 1: Call to Order and Pledge of Allegiance

Secretary Handorf called the meeting to order at 10:30 a.m. Mr. Parsons led the Pledge of Allegiance.

Agenda Item 2: Adoption of Agenda

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

Agenda Item 3: Invitation of Public Comment

No public comment.

Agenda Item 4: Executive Session

4.A. -- Regarding the City of Holbrook notice of intention to rescind the agreement for sale of property on Hermosa Drive as agreed January 8, 2008.

Upon a motion by Mr. Parsons, a second by Mr. Peaches and a unanimous affirmative vote, the Board entered into Executive Session at 10:35 a.m. *Upon a motion by Mr. Siquah, a second by Mr. Parsons and a unanimous affirmative vote*, the Board adjourned the Executive Session at 11:20 a.m. Mr. Parsons moved to reconvene the regular Board meeting. Mr. Peaches seconded the motion. *The vote was unanimous in the affirmative.* Mr. Parsons moved to acknowledge receipt of the letter from the City of Holbrook and that staff work to set up a meeting with the city to be attended by Chairman Jeffers, the Mayor of Holbrook, the City Manager, and college staff for further informal discussion. The motion was seconded by Mr. Peaches. *The vote was unanimous in the affirmative.*

Agenda Item 5: Reports

5.A. – Financial Position – Vice President Hatch

Vice President Hatch reported that, as of the end of October 2009, one-third of the fiscal year has expired. Mr. Hatch reported the college has received the second quarter State aid payment and currently, operating State aid is at 42% and equalization aid is at 61% for a combined, on target State aid total of 53%. Mr. Hatch added that he expects, by fiscal year end, that State aid will total 106% of budgeted amounts if State aid is fully distributed. Mr. Hatch reported that total year to date revenues are at 44% of and total general fund expenditures are at 26%. Mr. Hatch reported that \$600,000 of \$750,000 transferred to the unrestricted plant fund and has been spent and that the college continues to collect past due secondary property tax amounts. Mr. Hatch reported that restricted fund revenues and expenditures total \$2.3 million and \$2.2 million, respectively. Mr. Hatch reported that auxiliary



fund revenues and expenditures total \$650,000 and \$116,000, respectively and a larger expenditure for textbooks is expected at fiscal year end. Mr. Hatch reported that year to date revenues and expenditures total \$14 million and \$9 million, respectively, and primary property tax receipts are slightly ahead of target.

In response to a question raised by Chairman Jeffers at a previous meeting, Mr. Hatch explained that the new line item on county property tax statements entitled County School Equalization is a new charge for the current year and it equals \$0.33 per \$100 of assessed valuation. Mr. Hatch pointed out that the charge initially began in 1991 and the last time it was assessed was in 2006. Mr. Hatch added that the charge has been formally renamed the State Equalization Property Tax and is used at the general level for K12 and is expected to raise \$250 million this year and is an offset to K12 State aid. Mr. Hatch clarified that the college does not participate or receive any of these funds.

5.B – NPC Faculty Association – Dr. Sandra Johnson

Dr. Johnson reported that the NPC student parade float won second place in its category. Dr. Johnson commended Welding instructor Randy Hoskins and his students from Holbrook, Joseph City and Winslow for their hard work on the float and noted that unused aluminum satellite dishes were recycled and incorporated into the design of the prize-winning float. Dr. Johnson reported that faculty discussed and voted to add a marker to curricular forms to begin to stimulate active dialog and integrate issues of sustainability into NPC coursework. Dr. Johnson reported that the Faculty Association will meet following convocation and identify a new President Elect due to the resignation of Lee Sweetman.

5.C – NPC Student Government Association – Jake Hinton

Mr. Hinton introduced Preston Romero, the new Student Government Association President, to Board members. Mr. Romero reported that the last President stepped down for personal reasons and Hopi Center student Janell Danash was elected Secretary. Mr. Romero reported that SGA has been working to wrap up the student meet and greet events and two new clubs, the Outdoor Club and Eagle Club, have been started. Mr. Romero also reported that SGA will host a basketball tournament July 30-31 at Holbrook Jr. High School. Mr. Romero announced that SGA will sponsor trips to the three state universities for NPC transfer students. Mr. Romero added that SGA will sell refreshments at the January convocation.

5.D. – NPC Foundation – Lance Chugg

Mr. Chugg, Executive Director of the NPC Foundation, announced that the Foundation is currently offering fresh citrus fruit and donations benefit the Marcia A. Smith Memorial Scholarship. Mr. Chugg added that citrus fruit, in either bags or boxes, is currently available at campus offices and more fruit is expected in the spring.

Agenda Item 6: Consent Agenda

Mr. Siquah moved to approve the consent agenda as presented. Mr. Peaches seconded the motion. *The vote was unanimous in the affirmative.*

Consent Agenda (Action):

- A. November 17, 2009 Study Session Minutes
- B. November 17, 2009 Regular Board Minutes
- C. Intergovernmental Agreement Between the Navajo Community College District and the Round Valley Unified School District, No. 10.

Agenda Item 7: Old Business

7.A. – Response to ADEQ Regarding Determination Letter – Vice President Hatch

Mr. Hatch reported, as discussed in study session, that the college received a formal determination letter from ADEQ regarding the decision to deny the exemption of demolition debris buried at the old Hermosa campus. Mr.



Hatch reported that staff has confirmed that ADEQ is interested and willing to assist the college in seeking a variety of options that may reduce the cost of compliance. Mr. Hatch added that the letter indicated the college has to right to appeal the decision. Mr. Hatch reiterated the staff recommendation to continue to have discussions with ADEQ to resolve the situation and requested direction from the Board regarding the staff recommendation not to pursue an appeal. Mr. Parsons moved to forgo the ADEQ appeal process and directed staff to proceed with discussions with ADEQ in order to resolve the notice of violation. Mr. Peaches seconded the motion. ***The vote was unanimous in the affirmative.***

Agenda Item 8: New Business

8.A. – Request to Approve the 2010-2011 Budget Development Calendar – Vice President Hatch

Mr. Siquah moved to approve the 2010-2011 Budget Development Calendar as presented. Mr. Parsons seconded the motion. ***The vote was unanimous in the affirmative.***

8.B. – Request to Proceed with Paper Recycling Proposal – President Swarthout

Secretary Handorf clarified that the recycling program, at this point, is not a contract for approval but is still only a proposal. Mr. Parsons moved that the college proceed with discussions to move toward a paper recycling program. The motion was seconded by Mr. Peaches. ***The vote was unanimous in the affirmative.***

Agenda Item 9: Standing Business

9.A. – Human Resources Update – Peggy Belknap

Ms. Belknap, Director of Human Resources, announced that Delores Coochyamptewa has been hired as the Department of Corrections Program Coordinator and Sharon Brush has been hired, effective January 2010, as the temporary Faculty in Arts in Ceramics. Ms. Belknap reported that a recommendation for the IS Director position is en route to the President; the Faculty in Educational Technology position was reposted and will close 12-31-09; the TLC Data Specialist position closed 12-04-09 and the committee is in process; movement will begin on the DOC Automotive Faculty position now that a DOC Program Coordinator has been hired; the Accountant Technician-Fund Grant Account position closed 11-30-09 and the committee is in process; the Springerville/Eagar Advisor-Librarian Technician position is posted as open until filled and the committee is scheduled to review applicants tomorrow; the Financial Aid Specialist position will be closed on 12-18-09. Responding to a Board question, Ms. Belknap explained that the open positions have been budgeted for and that two of the positions are grant funded.

9.B. – Outstanding Alumnus Award – President Swarthout

Dr. Swarthout notified the Board that the Outstanding Alumnus was unable to attend the meeting and that the award will be presented at the January meeting.

9.C. – Faculty Emeritus Award – Mark Vest

Mr. Vest announced the retirement of Art Faculty member Lee Sweetman and recommended that she receive Faculty Emeritus status at NPC. Ms. Sweetman began her 30-plus years of service to the college as an Art Department work study employee and in subsequent years has served as an adjunct Art Faculty member, the WMC Campus Manager, Art Faculty, NPC Gallery Director and Art Department Chair. Ms. Sweetman has initiated an array of student scholarships and has developed a permanent, traveling Art collection consisting largely of work by NPC students. Ms Sweetman was elected Faculty Association President twice and served on various college committees during her tenure. Mr. Vest commended Ms. Sweetman for her devotion to her craft, the institution and her students. Ms. Sweetman was presented the Faculty Emeritus Award amid hearty audience applause. Ms. Sweetman thanked the Board, President Swarthout and her faculty colleagues for the opportunity to serve others by doing what she loves.



9.D. – Living Christmas Card Presentation to Board Members – Julie Holtan

Dressed in Victorian garb, Northland Master Chorale carolers Alexander Pansulla, Jessica Davis, Dustin Benavides and Chelsea Davis, under the direction of Julie Holtan, performed for Board members and the audience. Ms. Holtan announced that Master Chorale carolers will travel to homes or business to perform Christmas carols and that funds raised will support travel to regional competitions.

Agenda Item 9: President's Report – President Swarthout

Dr. Swarthout announced that the college has three All-Arizona Academic Team members that will attend a celebration in February at Mesa Community College and extended an invitation to Board members to attend. Dr. Swarthout reported that she and Mr. Vest have discussed organizing an annual educational summit to be held in March with the goal of discussing the future of education in Navajo and Apache counties with representatives from the college, area high schools and the universities. Dr. Swarthout will send out the proposed dates and request Board support in making the annual event successful.

Agenda Item 10: Board Report/Summary of Current Events

Board members wished everyone in attendance a Merry Christmas and a Happy New Year.

Agenda Item 11: Announcement of Next Regular Meeting: Tuesday, January 19, 2010.

Agenda Item 12: Adjournment

The meeting was adjourned upon a motion by Mr. Parsons, a second by Mr. Peaches, and a unanimous affirmative vote.

Respectfully submitted,

Russell Dickerson
Recording Secretary to the Board

Bill Jeffers
Chairman

Ginny Handorf
Secretary to the Board



Request to Accept the Single Audit Reporting Package for the Fiscal Year Ended June 30, 2009

Recommendation:

Staff recommends acceptance of the Single Audit Reporting Package for the fiscal year ended June 30, 2009.

Summary:

Copies of the Single Audit Reporting Package have been received by the Office of the Auditor General. The 2009 audit was completed well ahead of the submission deadline, March 30, 2010, established by the US Department of Education. The audit was submitted to the US Department of Education on December 11, 2009. 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 facilitators of the effort were Maderia Ellison, Director of Financial Services and Tad Spader, Controller. We express appreciation to the auditors, Heinfeld, Meech & Co. and to the Office of the Auditor General for the timely and professional work provided by their staff.

The independent auditors did not identify any weaknesses and found no instances of non-compliance or other matters that required reporting in the audit of the financial statements. Additionally, the independent auditors did not identify any deficiencies in internal control over compliance with requirements of federal programs.

The preliminary version of the financial statements and findings was reviewed by the Audit Committee on November 12, 2009 and the final audit reporting package is scheduled to be reviewed by the Audit Committee on January 14, 2009.

Staff will review the audit package at the Board meeting and will be prepared to respond to Board questions.



Northland Pioneer College

Post Office Box 610 • Holbrook, Arizona • (928) 524-7600 • Fax: (928) 524-7612 • www.npc.edu



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3033 N. Central Avenue, Suite 300
Phoenix, Arizona 85012
Tel (602) 277-9449
Fax (602) 277-9297

December 16, 2009

Maderia Ellison, Director of Financial Services
Navajo County Community College District
P.O. Box 610
Holbrook, AZ 86025-0610

Dear Ms. Ellison:

Enclosed please find a CD of the Navajo County Community College District's Single Audit Reporting Package for the year ended June 30, 2009.

In addition to the items listed above, you will find a letter addressed to your Governing Board. Professional standards require the auditors to communicate various items to those at your District who are charged with governance. Please forward this required communication to your Board. The letter includes information regarding fraud and steps management can take to prevent fraud. This information is presented as additional information that your Board may find helpful.

Copies of your report have already been sent to the Auditor General's Office for official distribution.

On behalf of Marydel Speidell and the rest of the staff at Heinfeld, Meech & Co., P.C., I would like to take this opportunity to thank you for the assistance provided by you and your staff in completing the audit and preparing the report in a timely manner. It has been a pleasure working with you and your staff. If you should have any questions, please do not hesitate to call us at (602) 277-9449.

Sincerely,

Jennifer L. Shields, CPA, CGFM
Partner



December 16, 2009

To the Governing Board
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 for the year ended June 30, 2009 and have issued our report thereon dated October 29, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, and OMB Circular A-133

As stated in our engagement letter our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Navajo County Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Navajo County Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about 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* applicable to each of its major federal programs for the purpose of expressing an opinion on Navajo County Community College District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination of Navajo County Community College District's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and communicated to management throughout the planning and performance of the audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Navajo County Community College District are described in Note 1 to the financial statements. Management has informed us there were no new accounting policies adopted during the year, nor were there any changes in the application of existing policies. We noted no transactions entered into by the Navajo County Community College District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any uncorrected misstatements and/or audit adjustments that we deemed to be material.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Navajo County Community College District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Responsibility for Fraud

It is important for both management and the Governing Board to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document is provided as a courtesy and provides some basic steps that should be taken to help prevent fraud from occurring in your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the Governing Board in setting the proper "tone at the top", increases the likelihood that fraud will be prevented, deterred and detected.

The information in this letter is intended solely for the use of the Governing Board and management of Navajo County Community College District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

Steps Management Should Take in Preventing the Occurrence of Fraud

First and Foremost, acknowledge that fraud can and does occur – Fraud occurs in organizations often because management provides the perpetrator with a substantial amount of authority and a high degree of trust. Consequently, management performs limited or no review of the individual's work. Recognizing that fraud can occur in any organization, including your own, is the first step in prevention.

Clearly communicate to employees the behavior that is expected of them – Believe it or not, ignorance has been cited as a common cause of fraud. Some employees have been trained to commit fraudulent acts without knowing what they were doing, just assuming that "that's they way it's done".

Take strong action against employees who commit fraud – Call the police or other law enforcement agency and press charges. Failing to do so sends a message to other employees that management doesn't take fraud seriously.

Provide employees an opportunity to report the occurrence of fraud or other abuse anonymously – In a recent survey, one in five employees said they were personally aware of the occurrence of fraud in the workplace. Eighty percent said they would be willing to report fraud if they did not have to identify themselves. Management can establish a fraud hotline, "suggestion boxes," or other means to enable employees to bring the occurrence of fraud to its attention without requiring employees to give their names.

Conduct your own activities on a high ethical level – Employees will follow the lead of the governing body and management, whether that lead is ethical or not. More than what is said or included in a policy manual, the actions of the governing body and management establish behavioral norms.

Be alert to changes in employee attitudes, behavior and lifestyles – Because of day-to-day contact, management is in the best position to observe the unusual – attitudes that are hostile or defensive toward management or the organization in general, changes in behavior that are inconsistent with employees' normal disposition or lifestyles that are not reasonable based on the employees' level of compensation. Matters that may be of particular concern include:

- Indications of dissatisfaction with compensation, or a lack of promotion
- Indications of gambling
- Indications of drug use or excessive use of alcohol
- Indications of financial distress
- Indications of severe stress

Steps Management Should Take in Preventing the Occurrence of Fraud

Perform thorough background checks on all new employees – Call former employers and educational institutions for verification of previous employment and education. Beware of "gaps" in employment or educational history. Consider obtaining a credit report (if authorized by the candidate) before employment.

Require uninterrupted vacations for all employees and establish a schedule of rotation of employee responsibilities – More than just good management, rotation of duties provides a strong disincentive to commit fraud. In addition, it provides an opportunity to discover fraud that has already occurred.

Establish a budget – The governing body/management should establish an operating budget and monitor actual results on a regular basis. Any significant variances should be investigated.

Monitor exception reports – Unprocessed transactions should be carefully examined for propriety. This includes revenues, expenses, purchasing and payroll transactions.

Control the mail –The mail should be picked up by an employee who has no responsibilities related to the handling or recording of deposits, accounts receivable records or revenues. All remittances should be directed to a post office box. Limiting access to the organization's mail is essential in preventing the unauthorized negotiation of cash receipts.

Control the bank statements – Similarly, the bank statements should be picked up by an employee who has no related responsibilities and delivered to the management or other person independent of the reconciliation process. This person should review the contents of the statements before they are reconciled. Specific items to be alert to include:

- Missing checks
- Checks issued out of sequence
- Unknown payees
- Checks that appear to have been altered
- Checks not signed by authorized signatories
- Other unusual items

Account for sequences – Whether it is checks, invoices, credit memoranda, receiving reports, shipping documents, or other pre-numbered items, all sequences should be accounted for. Voided documents should be defaced to prevent unauthorized use and retained to complete sequences.

Steps Management Should Take in Preventing the Occurrence of Fraud

Control general journal entries – Management should either make or personally review and approve all general journal entries. Supporting documentation should be reviewed before approving general journal entries. In particular, the following items should be investigated:

- Entries made to unrelated accounts
- Entries made to receivables or revenues at or near the close of a period
- Entries made by persons whose responsibilities are not consistent with the accounts being adjusted

Obtain reasonable fidelity bond coverage – If the unthinkable occurs, insurance coverage is the most likely means of recovery of amounts misappropriated. The amount of coverage should be reviewed periodically for adequacy.

Evaluate the internal control framework – Lastly, evaluate the internal control framework of your organization. One particular useful evaluation tool is available in the Committee of Sponsoring Organization's (COSO) guidance on internal control over financial reporting for smaller organizations. This guidance may be obtained through the AICPA's website at www.cpa2biz.com (product #990017).

© Audit Litigation, Training and Efficiency Consulting, Inc. 2008

**Navajo County
Community College District
(Northland Pioneer College)
Single Audit Reporting Package**

Year ended June 30, 2009

Table of Contents

Page

Financial Section

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Statement of Net Assets - Primary Government	10
Statement of Financial Position - Component Unit.....	11
Statement of Revenues, Expenses, and Changes in Net Assets – Primary Government	12
Statement of Activities – Component Unit.....	13
Statement of Cash Flows – Primary Government	14
Notes to Financial Statements	16
Supplementary Information:	
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards.....	30

Single Audit Section

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 <i>Government Auditing Standards</i>	31
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	33
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	35
Financial Statement Findings	36
Federal Award Findings and Questioned Costs.....	36
Summary Schedule of Prior Audit Findings.....	37



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3033 N. Central Avenue, Suite 300
Phoenix, Arizona 85012
Tel (602) 277-9449
Fax (602) 277-9297

INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

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 (District), as of and for the year ended June 30, 2009, 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 the 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, 2009, 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.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009, on our consideration of the Navajo County Community College 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 the 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 29, 2009

**Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2009**

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, 2009. Please read it in conjunction with the financial statements, which immediately follow.

Basic Financial Statements

The District's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB), 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, 2009. 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, 2009. 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, 2009. 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 exercises 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, accrued payroll and employee benefits. Net assets are divided into three categories

**Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2009**

reflecting the broad characteristics of institutional equity in the assets of the District. In addition to the District's capital assets, the District holds resources that 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, 2009 and 2008:

Condensed Statement of Net Assets - Primary Government			
	June 30, 2009	June 30, 2008	% Change
Assets:			
Current assets	\$ 17,193,921	\$ 13,720,264	25%
Noncurrent assets, other than capital assets	1,842,680	1,551,434	19%
Capital assets, net	33,252,059	32,533,926	2%
Total assets	<u>52,288,660</u>	<u>47,805,624</u>	9%
Liabilities:			
Other liabilities	995,390	660,926	51%
Long-term liabilities	338,933	2,166,816	-84%
Total liabilities	<u>1,334,323</u>	<u>2,827,742</u>	-53%
Net Assets:			
Invested in capital assets, net of related debt	33,252,059	30,693,926	8%
Restricted net assets	750,289	560,887	34%
Unrestricted net assets	16,951,989	13,723,069	24%
Total net assets	<u>\$ 50,954,337</u>	<u>\$ 44,977,882</u>	13%

Current assets increased \$3.5 million and is primarily related to cash/investments, other receivables and prepaid items. Cash/investments with local banks, and the state and county treasurer increased \$1.6 million. Other receivables increased \$1.0 million due primarily to grant funding from the State Fiscal Stabilization Fund (SFSF). Prepaid items increased \$967,000 related to information services network equipment and services associated with the implementation of the District's Master Technology Plan.

Other liabilities increased \$335,000, which is related to increased accounts payable and accrued payroll. The increase in accounts payable is related to timing issues. The increase in accrued payroll is related to increased instructional salaries and a refund related to workers' compensation included in FY08 that caused an artificially low balance in the prior year. Long-term liabilities decreased \$1.8 million related to the retirement of debt during the year.

Restricted net assets increase includes a reclassification of \$226,000 for a scholarship from unrestricted to expendable restricted net assets. Unrestricted net assets increased \$3.2 million due to a net increase from operations of the College.

Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2009

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), 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, 2009**

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

	2009	2008	% Change
Revenues:			
<i>Operating</i>			
Tuition and fees (net of scholarship allowance)	\$ 2,824,047	\$ 2,483,223	14%
Government contracts	2,058,901	3,032,846	-32%
Private grants and contracts	529,310	871,651	-39%
Bookstore income (net of scholarship allowance)	803,661	995,347	-19%
Other	247,370	172,720	43%
<i>Total operating revenues</i>	<u>6,463,289</u>	<u>7,555,787</u>	-14%
<i>Nonoperating</i>			
Property taxes	12,321,619	11,651,832	6%
State appropriations	9,807,911	9,717,500	1%
Government grants	5,083,645	3,146,431	62%
Share of state sales taxes	453,912	487,131	-7%
Investment income	257,027	502,903	-49%
<i>Total nonoperating revenues</i>	<u>27,924,114</u>	<u>25,505,797</u>	9%
Total revenues	34,387,403	33,061,584	4%
Expenses:			
<i>Operating</i>	28,343,785	27,847,820	2%
<i>Nonoperating</i>	67,163	743,870	-91%
Total expenses	<u>28,410,948</u>	<u>28,591,690</u>	-1%
Income before other revenues, expenses, gains, or losses	5,976,455	4,469,894	34%
Capital appropriations	-	505,600	-100%
Increase in net assets	<u>5,976,455</u>	<u>4,975,494</u>	20%
Total net assets, July 1	44,977,882	40,002,388	12%
Total net assets, June 30	<u>\$ 50,954,337</u>	<u>\$ 44,977,882</u>	13%

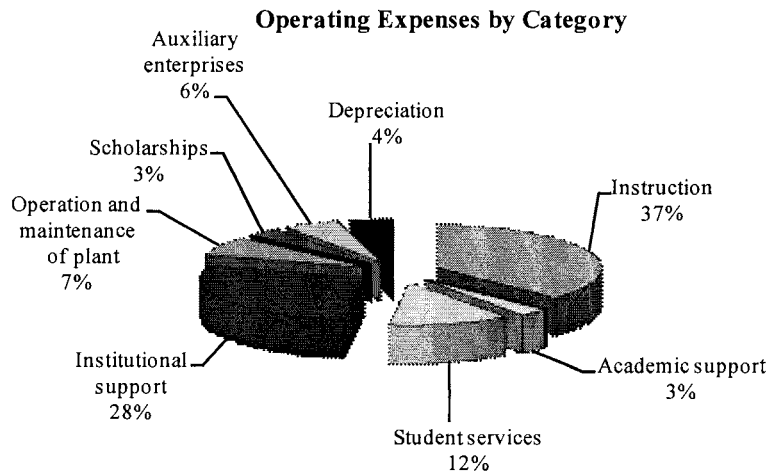
Operating revenues decreased 14% from the prior year related primarily to government contracts and private grants and contracts. Government contracts includes education services with a Joint Technological Educational District (JTED) known as Northern Arizona Vocational Institute of Technology (NAVIT) and services to a neighboring county that does not have a community college. Due to an error, revenue accruals related to NAVIT and Apache County were not recorded in FY07 overstating revenues in FY08. When comparing FY09 to FY08, it reflects a decrease of 39%. Excluding these errors, the decrease would have been 1%. Private grants and contracts decreased \$342,000 due to one-time scholarships totaling \$233,000 received in the prior year.

Nonoperating revenues increased 9% from the prior year related primarily to government grants. Government grants increased due to \$1.3 million of funding from the American Recovery and Reinvestment Act of 2009 (Recovery Act) and distributed through the State Fiscal Stabilization Fund (SFSF) – State Grants, Recovery Act (Education Stabilization Fund). The objective of the Education Stabilization Fund is to support and restore funding for education. Excluding the

**Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2009**

Education Stabilization Fund from government grants, revenues increased \$633,000 related to the Pell student financial aid program. Investment income decreased \$246,000 as a result of declining interest rates.

	2009	2008	% Change
Operating Expenses			
Educational and general:			
Instruction	\$ 10,565,902	\$ 10,355,967	2%
Public service	14,126	12,562	12%
Academic support	785,099	803,190	-2%
Student services	3,364,710	3,018,052	11%
Institutional support	7,814,683	7,141,298	9%
Operation and maintenance of plant	2,037,490	2,182,091	-7%
Scholarships	980,151	630,161	56%
Auxiliary enterprises	1,547,548	1,508,514	3%
Depreciation	1,234,076	2,195,985	-44%
Total operating expenses	<u>28,343,785</u>	<u>27,847,820</u>	2%
Nonoperating Expenses			
Interest expense on debt	67,163	131,411	-49%
Other - loss on sale of district property	-	612,459	-100%
Total nonoperating expenses	<u>67,163</u>	<u>743,870</u>	-91%
Total Expenses	<u>\$ 28,410,948</u>	<u>\$ 28,591,690</u>	-1%



**Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2009**

Operating expenses increased a modest 2%. In response to the state budget cuts the District instituted cost containment initiatives and reorganized academic and institutional support to better situate the District for continued decreased in state appropriations. Though cost containment was a primary initiative in FY09, the District made every effort not to compromise services to students. As a result, costs increased in instruction, student services, and scholarships. Increases in operating expenses were offset by the decrease in depreciation as a result of one-time adjustments for physical inventory of Information Services related to FY08.

Nonoperating expenses decreased 91% from the prior year. Interest expense on debt decreased due to decreasing principal balance of the District's long-term liabilities. Loss on sale of district property from the prior year is related to the sale of the District's former campus in Holbrook located on Hermosa Drive.

Capital Assets and Debt Administration

Capital assets are defined as those items costing over \$5,000 and which have a normal useful life of more than one year. The District's Strategic Plan for fiscal years 2008-11 called for the development of a Master Technology and Master Facilities Plan. Implementation of the Master Technology Plan is in progress and includes projects that will improve network capacity and performance. Specifically, upgrade of the Wide Area Network (WAN) has allowed access to new college-wide services such as video relay interpreting (VRI), remote equipment and service management, and increased multimedia classroom capacity and functionality. The Master Facilities Plan has been put on hold due to budget constraints and lack of state capital funding, therefore all new major facilities projects are on hold. Instead the District will focus its limited resources on maintenance and repair of existing facilities and related infrastructure and develop a Master Maintenance Plan. Additional information on the District's capital assets can be found in Note 3 to the basic financial statements.

The District's long-term debt consists of general obligation bonds issued in 2003 and certificates of participation issued in 1994; as of June 30, 2009 both have been repaid. No additional long-term debt was issued during the fiscal year. Additional information on the District's long-term debt can be found in Note 4 to the basic financial statements.

Current Factors Having Probable Future Financial Significance

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

Property taxes continue to be levied at the maximum rate allowed by statute; however, with the downturn in the economy collection of assessed property taxes may become more difficult.

Funding from the state has decreased and the District expects a precipitous drop in state funding in the future. In FY09, operating state aid decreased 11% and capital state aid was eliminated, for a total decrease of nearly \$1.0 million. The District did qualify for equalization aid of \$5,386,500 in FY09 and is funded according to the statutory formula for FY10; however, future funding is in jeopardy as the state reevaluates its funding formulas.

**Navajo County Community College District
(Northland Pioneer College)
Management's Discussion and Analysis
Year Ended June 30, 2009**

Program funding from external sources such as federal and local grants and contracts, along with community and business partnerships will become more important to the District. The Title III – Strengthening Institutions Program grant from the U.S. Department of Education in conjunction with Coconino Community College to develop distance learning awarded in FY05 will expire on September 30, 2009. The District is pursuing opportunities for additional Department of Education grants.

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 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. For FY09, the in-state tuition increase was 8% up \$4 to \$48 per credit hour. Even with the increase it is still one of the lowest tuition rates in the state.

The District is accredited through The Higher Learning Commission. For over a year, the District has been preparing for its accreditation visit, which is scheduled for October 26 – 29, 2009. The last accreditation visit was in October 1999. Reaffirmation of accreditation will allow the District to continue to advance its mission "...creates, supports and promotes lifelong learning."

Request 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, 2009**

Assets	Business - Type Activities
Current assets:	
Cash and cash equivalents	\$ 626,345
Investments	11,674,484
Receivables (net of allowances for uncollectibles)	
Accounts	1,908,038
Property taxes	511,240
Student loans, current portion	83,205
Inventories	1,424,107
Prepaid items	<u>966,502</u>
Total current assets	17,193,921
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	12,414
Investments	737,875
Property taxes receivable	94,642
Student loans receivable, long term portion	997,749
Capital assets, not being depreciated	772,006
Capital assets, being depreciated, net	<u>32,480,053</u>
Total noncurrent assets	<u>35,094,739</u>
Total assets	<u>52,288,660</u>
Liabilities	
Current liabilities:	
Accounts payable	600,798
Accrued payroll and employee benefits	358,570
Deposits held in custody for others	36,022
Current portion of compensated absences payable	<u>254,200</u>
Total current liabilities	1,249,590
Noncurrent liabilities:	
Compensated absences payable	<u>84,733</u>
Total noncurrent liabilities	<u>84,733</u>
Total liabilities	<u>1,334,323</u>
Net assets	
Invested in capital assets	33,252,059
Restricted:	
Nonexpendable - endowments	12,414
Expendable:	
Restricted investment for NATC	512,321
Scholarships, grants and contracts	225,554
Unrestricted	<u>16,951,989</u>
Total net assets	<u>\$ 50,954,337</u>

See accompanying notes to financial statements.

**Navajo County Community College District
(Northland Pioneer College)
Statement of Financial Position - Component Unit
June 30, 2009**

Northland Pioneer College Foundation

Assets

Cash and cash equivalents	\$	29,474
Restricted cash-savings		66,160
Accounts receivable		3,856
Interest receivable		30
Investments:		
Certificates of deposit		89,015
Real estate		18,000
Prepaid expense		4,005
Land and building, net of accumulated depreciation		37,500
Total assets	\$	248,040

Liabilities and Net Assets:

Liabilities

Accounts payable	\$	1,009
Total liabilities		1,009

Net Assets

Unrestricted		180,871
Temporarily restricted		44,551
Permanently restricted		21,609
Total net assets		247,031
Total liabilities and net assets	\$	248,040

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, 2009

	Business - Type Activities
Operating revenues:	
Tuition and fees, net of scholarship allowance of \$748,156	\$ 2,824,047
Government contracts	2,058,901
Private grants and contracts	529,310
Bookstore income, net of scholarship allowance of \$332,999	803,661
Other sales and services	158,532
Other	88,838
Total operating revenues	6,463,289
Operating expenses:	
<i>Educational and general:</i>	
Instruction	10,565,902
Public service	14,126
Academic support	785,099
Student services	3,364,710
Institutional support	7,814,683
Operation and maintenance of plant	2,037,490
Scholarships	980,151
<i>Auxiliary enterprises</i>	1,547,548
<i>Depreciation</i>	1,234,076
Total operating expenses	28,343,785
Operating loss	(21,880,496)
Nonoperating revenues (expenses):	
Property taxes	12,321,619
State appropriations	9,807,911
Government grants	5,083,645
Share of state sales taxes	453,912
Investment income	257,027
Interest expense on debt	(67,163)
Total nonoperating revenues	27,856,951
Income before other revenues, expenses, gains, or losses	5,976,455
Increase in net assets	5,976,455
Total net assets, July 1, 2008	44,977,882
Total net assets, June 30, 2009	\$ 50,954,337

See accompanying notes to financial statements.

**Navajo County Community College District
(Northland Pioneer College)
Statement of Activities - Component Unit
Year Ended June 30, 2009**

Northland Pioneer College Foundation

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Membership dues	\$ 4,817	\$ -	\$ -	\$ 4,817
Special events revenue, net	23,170	-	-	23,170
Contributions	3,650	22,061	300	26,011
Interest income	2,238	1,332	-	3,570
Total support and revenue	33,875	23,393	300	57,568
Expenses:				
Program services	1,250	-	-	1,250
Support services	16,555	-	-	16,555
Total expenses	17,805	-	-	17,805
Increase in net assets	16,070	23,393	300	39,763
Total net assets, July 1, 2008 (Restated)	164,801	21,158	21,309	207,268
Total net assets, June 30, 2009	<u>\$ 180,871</u>	<u>\$ 44,551</u>	<u>\$ 21,609</u>	<u>\$ 247,031</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, 2009**

	Business - Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 2,073,010
Government contracts	2,588,211
Bookstore receipts	693,395
Other receipts	247,370
Payments to suppliers and providers of goods and services	(10,075,026)
Payments to employees	(16,674,011)
Payments to students for scholarships and loans	(980,151)
Net cash used for operating activities	(22,127,202)
Cash flows from noncapital financing activities:	
Property taxes	10,593,702
State appropriations	9,807,911
Grants	5,083,645
Share of state sales taxes	453,912
Deposits held in custody for others disbursed	(445)
Net cash provided by noncapital financing activities	25,938,725
Cash flows from capital and related financing activities:	
Property taxes	1,656,600
Principal paid on capital debt	(1,840,000)
Interest paid on capital debt	(67,163)
Acquisition and construction of capital assets	(1,952,206)
Net cash used for capital and related financing activities	(2,202,769)
Cash flows from investing activities:	
Interest received on investments	257,027
Net cash provided by investing activities	257,027
Net increase in cash and cash equivalents	1,865,781
Cash and cash equivalents, July 1, 2008	11,185,337
Cash and cash equivalents, June 30, 2009	\$ 13,051,118

(continued)

See accompanying notes to financial statements.

Navajo County Community College District
(Northland Pioneer College)
Statement of Cash Flows - Primary Government - Concluded
Year Ended June 30, 2009

	Business - Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (21,880,496)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,234,076
Changes in assets and liabilities:	
Increase in:	
Accounts receivable	(1,025,580)
Accounts payable	198,629
Inventories	(110,266)
Prepaid items	(966,502)
Compensated absences payable	12,117
Decrease in:	
Accrued payroll and employee benefits	136,280
Student loans receivable	274,540
Net cash used for operating activities	\$ (22,127,202)
Reconciliation of cash and cash equivalents, as presented on the Statement of Net Assets:	
Cash and cash equivalents	\$ 626,345
Investments	11,674,484
Restricted assets:	
Cash and cash equivalents	12,414
Investments	737,875
Total cash and cash equivalents, June 30, 2009	\$ 13,051,118

See accompanying notes to financial statements.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. 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 respective counterpart financial statements of the District. 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, 2009, the Foundation did not make a distribution the District. Complete financial statements of the Foundation can be obtained from the Northland Pioneer College Foundation, P. O. Box 610, Holbrook, Arizona 86025-0610.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies – Continued

B. Basis of Presentation and Accounting

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

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

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from 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.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies – Continued

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

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

C. Cash and Investments

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.

D. Inventories

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

E. Capital Assets

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

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

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

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies – Continued

F. Investment Income

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

G. Compensated Absences

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

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

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

H. Scholarship Allowances

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

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 2 – Deposits and Investments - Continued

At June 30, 2009, the District’s deposits and investments, including restricted cash consisted of the following:

	Reported on the Statement of Net Assets as:	
	Cash and Cash Equivalents	Investments
Deposits:		
Cash on hand	\$ 12,266	
Cash in bank	614,079	
Restricted cash	12,414	
Investment at fair value:		
Held by Navajo County Treasurer		\$ 11,413,736
Investments with State Treasurer’s pool		260,748
Restricted investment with State Treasurer		737,875
Total	\$ 638,759	\$ 12,412,359

Deposits: At June 30, 2009, the carrying amount of the District’s cash in bank was \$626,493 with \$12,414 being restricted funds and the bank balance was \$1,104,235. The District currently does not have a deposit policy for custodial credit risk.

Investments: At June 30, 2009, the District’s investments consisted of the following:

	Weighted Average Maturity	Fair Value
County Treasurer’s investment pool	21.4 months	\$ 11,413,736
State Treasurer’s investment pool 5	1.34 months	998,623
Total		\$ 12,412,359

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.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 2 – Deposits and Investments - Continued

Interest Rate Risk: The District currently does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The District has no investment policy that would further limit its investment choices. As of June 30, 2009, the District's investment in the County Treasurers' investment pools did not receive a credit quality rating from a national rating agency. The State pool that the District invests with has a Standard and Poor's Rating Service rate of AAf.

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 the possession of an outside party. The District currently does not have an investment policy for custodial credit risk.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 709,291	\$ -	\$ -	\$ 709,291
Construction in progress (estimated cost to complete \$ 156,950)	1,589,990	-	1,527,275	62,715
<i>Total capital assets not being depreciated</i>	<u>2,299,281</u>	<u>-</u>	<u>1,527,275</u>	<u>772,006</u>
Capital assets being depreciated:				
Buildings	31,124,040	1,100,238	-	32,224,278
Equipment	4,668,349	332,413	71,330	4,929,432
Improvements other than buildings	4,979,602	1,998,940	-	6,978,542
Library books	610,288	55,027	40,677	624,638
<i>Total capital assets being depreciated</i>	<u>41,382,279</u>	<u>3,486,618</u>	<u>112,007</u>	<u>44,756,890</u>
Less accumulated depreciation for:				
Buildings	6,066,416	723,878	-	6,790,294
Equipment	3,163,085	332,000	64,196	3,430,888
Improvements other than buildings	1,598,842	124,490	-	1,723,332
Library books	319,291	53,708	40,677	332,322
<i>Total accumulated depreciation</i>	<u>11,147,634</u>	<u>1,234,076</u>	<u>104,873</u>	<u>12,276,837</u>
Total capital assets being depreciated, net	<u>30,234,645</u>	<u>2,252,542</u>	<u>7,134</u>	<u>32,480,053</u>
Capital assets, net	<u>\$ 32,533,926</u>	<u>\$ 2,252,542</u>	<u>\$ 1,534,409</u>	<u>\$ 33,252,059</u>

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 4 – Long-Term Liabilities

The following schedule details the District’s long-term liability and obligation activity for the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Due within one year</u>
Compensated absences payable	\$ 326,816	\$ 377,661	\$ 365,544	\$ 338,933	\$ 254,200
General obligation refunding bonds payable	\$ 1,605,000	\$ -	\$ 1,605,000	\$ -	\$ -
Certificates of participation payable	235,000	-	235,000	-	-
Total long-term debt	<u>\$ 1,840,000</u>	<u>\$ -</u>	<u>\$ 1,840,000</u>	<u>\$ -</u>	<u>\$ -</u>

Bonds – The District’s bonded debt consists of callable general obligation bonds with interest payable semiannually. In September 2003, the District issued \$9,015,000 of general obligation refunding bonds, with an average interest rate of 2.79 percent. The proceeds were used to pay costs relating to the defeasance of the general obligation bonds issued in July 1995. The District repays general obligations bonds from voter-approved property taxes.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. At June 30, 2009, \$1,460,000 of bonds outstanding is considered defeased.

Certificates of participation – In April of 1994, the District issued \$2,410,000 in certificates of participation with an average interest rate of 6.17 percent. The certificates are generally callable with interest payable semiannually. Of the total proceeds, \$1,500,000 was used to construct a classroom building in Show Low, Arizona, and the remaining \$910,000 was obligated to advance refund outstanding series 1990 revenue bonds by placing it in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. At June 30, 2009, \$475,000 of defeased revenue bonds is outstanding.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 5 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; and injuries to employees. The District participates with other Arizona community college districts and school districts in the Arizona School Risk Retention Trust, Inc., a public entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, automobile, boiler and machinery, and commercial crime risks. The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any one year. The District will be charged for any such assessment in the following year. The District has never been charged such an assessment.

The District also carries commercial insurance for other risks of loss, including workers' compensation, accidental death and dismemberment for students and employees, employee travel, and extended reporting for errors and omissions. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

The District was unable to obtain health coverage at a cost it considers to be economically justifiable, therefore, the District joined the Navajo County Schools Employee Benefit Trust (Trust). The District together with other school districts in the state use 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 would be assessed, on a pro-rata basis, an additional assessment not to exceed the amount of the annual contribution. Should the District withdraw from the Trust, it would then be responsible for its proportional share of claims and would forfeit all rights to the return of any surplus, unearned contributions, or other legally permitted distributions from the Trust. Whether the District withdraws or the Trust becomes insolvent, the District remains liable for assessments for liabilities of the Trust incurred during the District's period of membership in the Trust. The Trust has not assessed the District any additional assessments above its annual contribution in any of the past three fiscal years.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 6 – 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 care 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 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding policy – The Arizona State Legislature establishes and may amend active plan members’ and the District’s contribution rates. For the year ended June 30, 2009, active plan members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 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 9.45 percent (7.99 percent for retirement, .96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members’ annual covered payroll.

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

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years ended June 30,			
2009	\$ 929,372	\$ 111,664	\$ 58,158
2008	880,719	114,876	54,703
2007	755,475	105,066	50,031

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 7 – Operating Expenses

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

Personal services	\$ 16,822,406
Contract services	2,268,681
Communications and utilities	1,520,225
Depreciation	1,234,076
Supplies and other services	4,960,590
Scholarships	980,151
Other	<u>557,656</u>
Total	<u>\$ 28,343,785</u>

Note 8 – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

The financial statements of Northland Pioneer College Foundation, Inc. (the Foundation) have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of 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 (NPC). The Foundation receives cash contributions, gifts, and membership dues, administers and invests securities and property, conducts special event fundraisers, and disburses payments to NPC for educational purposes.

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.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 8 – Discretely Presented Component Unit Disclosures - Continued

Revenue Recognition

Membership dues and other revenues received for support of current operations are recorded as revenues. Membership dues and other revenues received for support of future operations are deferred and recognized over the periods to which the dues and revenues relate.

Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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. In addition, the Foundation is required to present a statement of cash flows.

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 statement 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).

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Endowment Funds

Endowment Funds have been accounted for and related disclosures made in accordance with FSP FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds." FSP FAS 117-1 provides guidance on net asset classification of donor-restricted endowment funds for Non-profits subject to an enacted version of UPMIFA and requires enhanced disclosures for all endowment funds.

**Navajo County Community College District
(Northland Pioneer College)
Notes to Financial Statements
June 30, 2009**

Note 8 – Discretely Presented Component Unit Disclosures - Continued

Investments

The Foundation has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, 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.

B. Cash

The total cash held by the Foundation at June 30, 2009, is as follows:

Checking	\$ 18,141
Money market	10,528
Savings	66,965
	<hr/>
	\$ 95,634

C. Investments

Investments consist of certificates of deposits held in financial institutions by the Foundation and real estate comprising several lots of land. As of June 30, 2009, the certificates of deposit totaled \$89,015. Real estate totaled \$18,000 as of June 30, 2009. These investments are stated at market value and adjustments have been made to accrue earned interest income on the certificates of deposit. The certificates of deposits earned interest at rates varying from 0.95% to 2.47% for the year ended June 30, 2009.

Prior Period Adjustment

During the year ended June 30, 2009, management discovered that an endowed scholarship (permanently restricted) received in 1991 in the amount of \$21,309 had been classified as a restricted use scholarship (temporarily restricted) in error. In addition, \$3,109 of interest income earned on this endowed fund since 2003 was classified in error as unrestricted, as it was temporarily restricted for a certain scholarship. The result of these errors was an overstatement of previously reported unrestricted and temporarily restricted net assets and an understatement of previously reported permanently restricted net assets as of July 1, 2007. The financial statements for the year ended June 30, 2008 have been restated to correct these errors.

SUPPLEMENTARY INFORMATION

Navajo County Community College District
(Northland Pioneer College)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Labor			
<i>Passed through White Mountain Apache Tribe</i>			
WIA Adult Program	17.258	B51605008155	\$ 51,124
<i>Passed through Arizona Department of Commerce</i>			
WIA Pilots, Demonstrations, and Research Projects	17.261	2IBM8671	50,719
<i>Total U.S. Department of Labor</i>			<u>101,843</u>
U.S. Small Business Administration			
<i>Passed through Maricopa County Community College District</i>			
Small Business Development Centers	59.037	9-603001Z-0003-17	103,924
U.S. Department of Health and Human Services			
Rural Access to Emergency Devices Grant	93.259		21,678
U.S. Department of Education			
American Recovery and Reinvestment Act			
<i>Passed through Governor's Office of Economic Recovery</i>			
ARRA - State Fiscal Stabilization Fund	84.394A		1,304,024
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		50,554
Federal Work-Study Program	84.033		111,716
Federal Pell Grant Program	84.063		2,218,006
Academic Competitiveness Grants	84.375		14,500
<i>Total Student Financial Assistance Cluster</i>			<u>2,394,776</u>
<i>Passed through Coconino Community College</i>			
Higher Education - Institutional Aid	84.031A		239,394
<i>Passed through the Arizona Department of Education:</i>			
Adult Education - State Grant Program	84.002A	09FAEADL-970595-03A	19,791
Adult Education - State Grant Program	84.002A	09FAEABE-970595-04A	308,602
Adult Education - ASE Reframing Pilot	84.002	09FAEARP-970595-06A	57,256
<i>Total Adult Education</i>			<u>385,649</u>
Career and Technical Education - Basic Grants to States	84.048	09FCTDBG-970595-01A	292,143
Tech-Prep Education	84.243	09FCTDTP-970595-02A	91,681
<i>Total Pass through the Arizona Department of Education</i>			<u>769,473</u>
<i>Passed through Arizona Commission for Postsecondary Education:</i>			
Leveraging Educational Assistance Partnership	84.069	209PE233	54,953
<i>Total U.S. Department of Education</i>			4,762,620
Total Expenditures of Federal Awards			<u>\$ 4,990,065</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, 2009**

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 2009 *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, 2009.



**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**

The Auditor General of the State of Arizona

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, 2009, which collectively comprise Navajo County Community College District's basic financial statements and have issued our report thereon dated October 29, 2009. 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 discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting that are reported separately by those auditors.

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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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*.

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 29, 2009



**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Auditor General of the State of Arizona

The Governing Board of
Navajo County Community College District

Compliance

We have audited the compliance of Navajo County Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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.

In our opinion, Navajo County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 29, 2009

**NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section 510[a])? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.002	Adult Education – ASE Reframing Pilot
84.002A	Adult Education – State Grant Program
	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
84.394A	ARRA – State Fiscal Stabilization Fund

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

Auditee qualified as low-risk auditee? yes X no

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])? X yes no

**NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

Status of Federal Award Findings and Questioned Costs

CFDA Nos. 84.007, 84.033, 84.063, 84.375
Program Name: Student Financial Assistance Cluster
Finding No. 08-3

Status: Fully corrected.

CFDA Nos. 84.002A, 84.002
Program Names: Adult Education – State Grant Program, Adult Education – ASE Reframing Pilot
Finding No. 08-4

Status: Fully corrected.

Request to Approve District Governing Board Policy 1923 – Financial Condition

Recommendation:

Staff recommends approval of Board Policy 1923 - Financial Condition.

Summary:

The Board and Staff has always operated under a well understood but informal policy to maintain a fiscally sound and responsible operation. Under the current economic circumstances staff recommends formalizing a policy that sets the parameters on the financial condition of the District as we move forward in achieving the mission and strategic plan.



Northland Pioneer College

Post Office Box 610 • Holbrook, Arizona • (928) 524-7600 • Fax: (928) 524-7612 • www.npc.edu

Policy 1923 Financial Condition

The President shall avoid fiscal jeopardy and material deviation from Board priorities as described in the Strategic Plan.

The President will:

1. Avoid expending more than has been received and carried forward in the fiscal year in the General Fund.
2. Avoid expending funds or incurring the District in an amount that reduces the ending General Fund balance to less than thirty percent of General Fund revenues recognized during the fiscal year.
3. Avoid cash management practices that prevent the settlement in a timely manner of payroll and other debts or obligations of the District.
4. Make tax payments or other government-ordered payments or filings on an accurate and timely basis.
5. Inform the Governing Board of contractual breaches, losses or potential losses from grant or contractual arrangements in the amount exceeding \$100,000.
6. Submit a fiscally solvent budget that is in accordance with the College Mission and the Strategic Plan.
7. Submit a balanced budget ensuring that planned expenditures will not exceed the projected disbursements for the fiscal year.

Proposed Phase 1 Budget Reduction Plan – January 2010

Summary:

The deteriorating State of Arizona budget situation is expected to affect appropriated State Aid distribution in the current fiscal year. While College revenue receipts and expenditures continue to be as budgeted, staff is concerned that the unresolved budget shortfall at the State level will result in cash flow problems that may require the deferral and/or non-payment of some portion of the remaining State Aid payments. Additionally staff anticipates that additional reductions will likely occur in State Aid appropriations in the 2010-11 fiscal year that will require a constriction of expenditures and possibly services.

While many reductions have been implemented (see attached summary of actions to date), staff proposes the following adjustments as an initial possible response to the requirement to reduce expenditures in the remaining months of the current fiscal year and into the 2010-11 fiscal year. Current savings estimates are attached. Staff anticipates that further reductions may be necessary to balance the coming year's budget.

Phase 1

1. Effective immediately implement a more comprehensive hiring freeze.
2. Effective at the end of Spring semester 2010 close the Heber Center.
3. Provide services at center from August to May (10 months).
4. Close the Therapeutic Massage Program (TMP) as of Summer 2010.
5. Provide student textbooks through an electronic bookstore provider beginning with Summer 2010 classes.
6. Effective summer 2010 vacate the building at 103 N First Avenue in Holbrook, relocating the majority of staff to the Painted Desert Campus.
7. Closure of fitness center at Painted Desert Campus to accommodate relocation of offices from downtown Holbrook.
8. Require the Community Education program to become self-sustaining, including all salaries, during fiscal year 2011.
9. Require the Business and Industry Training program to become self-sustaining, including all salaries during fiscal year 2011 and require revenue generation in future years.



Northland Pioneer College

Post Office Box 610 • Holbrook, Arizona • (928) 524-7600 • Fax: (928) 524-7612 • www.npc.edu

Ongoing Cost-Savings Measures

Executive staff approval required for all on hiring of positions

Increase in number of college meetings held virtually.

Van pooling to all-college events.

Immediate freeze on all out-of-district travel, except as deemed critical by supervising vice president.

Reduction in all professional development outside of grant funded training.

Class cap size increased from 10 to 15.

All non-direct deposits pay mailed to home address, no printing of all direct deposit pay stubs (available electronically), new employees required to enroll in direct deposit for pay.

Elimination of conference travel and elimination of internal meeting meal expenses.

Library notices sent electronically.

Consolidate of all mailings, move to electronic mailings where possible, reduction in number of service days for courier.

Reduction in subscription/journal fees and dues.

Adjustment of all thermostats by at least 2 degrees.

Moved to a 4-day work week for summer.

Consolidation of divisions from five deans to three.

Reduction in Institutional Research staff.

Closure of Real Estate program.

Reduction in janitorial costs.

Closure of Building Occupations – Construction Technology program.

Savings Estimate on Phase 1 Budget Reduction Plan January 2010

	<u>2009-10</u>	<u>2010-11</u>
1. Hiring freeze	\$ 100,000	\$ 200,000
2. Heber Center closure	-	80,000
3. 10 month Center operations	20,000	45,000
4. Close TMP	25,000	65,000
5. Electronic bookstore	500,000	200,000
6. District service staff relocate to PDC	-	25,000
7. Closure of fitness center	4,000	18,000
8. Self sustaining Community Education	-	50,000
9. Self sustaining BIT	-	50,000
	\$ 649,000	\$ 733,000

Request for Direction Regarding Show Low Bluff Proposal

Request for Direction

Staff has been approached by the developers/realtors at Show Low Bluff, a multi-faceted development community on Penrod Road in Show Low. The group has proposed a partnership to Northland Pioneer College to increase degree production and facilities within the Bluff development. The group's analysis of the proposal has been emailed to you and is included here for your consideration. The president of the college requests direction from the District Governing Board regarding this proposal.

Summary:

The Show Low Bluff Development proposal submitted to Northland Pioneer College includes a 20,000 square foot facility at an approximate cost of \$4.5 million. Additionally, the proposal includes a move by the college to a four-year degree plan; community colleges are not, at this time, authorized by Arizona State Statute to offer such degrees. Staff requests direction from the District Governing Board as to whether to continue negotiations with Show Low Bluff, defer them or reject the proposal.



Northland Pioneer College

Post Office Box 610 • Holbrook, Arizona • (928) 524-7600 • Fax: (928) 524-7612 • www.npc.edu

Northland Pioneer College - Expanding Mission

Partnerships (JV) for Rural Bachelors
Degree Programs at
NPC Branch Campuses

NPC Bachelor's Program

- Prearranged Degree Granting Programs
- NAU: Model Yavapai College Prescott
- ASU: Interest in Rural Locations
- 300 Student Startup - 500 Capacity in out-years - ready in fall 2010
- Co-located Facilities with ACE
- Year-around Schedule of Classes

New Structure to Host Capacity Expansion

- General Purpose Classroom/Office Bldg.
- 20,000 sq. ft. - 10 classroom - offices
- 7,500 addition for media center/services
- Cost approx. \$4.5 million
- Green bldg standards - two story bldg.
- Land = 5 acres, can be doubled in 4-5 yrs.
- Parking, landscaping in cost estimate

Financing Package

- Syndicated Private/Public Partnership
- Build to suit and commercial leaseback
- 20-Year Lease binds parties to plan
- National Bank of AZ will provide loan
- Investors paid back in 20 years or refi
- Utilities provided by City of Show Low
- Land partly-donated at SL Bluff

Net to Students

- Net Cost of Degree (Tuition) - (60%)
- Lower Living Costs - (30%)
- Three-year program to graduate
- Geographic Proximity to home
- Wider market access rural students
- Programs to attract students: Nursing; Natural Resource Management; Renewable Energy; Education

Net in School

- Additional Mission - Low Cost Alternative
- Added Capacity: Faculty, Staff, Facility
- Added Income Stream - \$1 mil. Per year
- Increased Footprint on Community
- Capable of Expansion and Dispersion
- Active Partnerships with 2 Universities
- Rural Solution to Higher Education Access

*By year pilot to Lumina = ABOR
Green Gates Race to the Top*

Northland Pioneer College

A Concept for Affordable Education Expansion –

Show Low Campus Options:

250-350 Students FTE, plus 200-300 Adult-CE at start up,
with expansion to 500 students in out years.
Initial FTE Tuition income \$731k @ \$65/hr.

10 Classrooms/Labs – 2000 SF

Facilities:

20,000 SF instructional bldg

Adult Continuing Education Center (dual purpose)

5,000 SF library media center (CFD)

2,500 SF admin and student services, kitchen

Potential Office Space for commercial lease tenants (dual purpose)

Total 27,500 SF building space

Est. Cost per SF of \$165

Total \$4.5 mil

Staff/Faculty Additions 15-30

Population gain 300-500

Housing for 150-250 students

e.g. Multifamily – Apartments 37-45

Housing for 15-30 staff / faculty

SFR 13-23

Land Footprint – 5 acre minimum – expansion to 6-10 acres for green space, parking, maintenance

Packaged Deal:

Land = partly donated (3 acres) 6 option for expansion

Utilities = bond financed and constructed by city NC

Buildings = Build to suit and commercial lease back 15-20 years \$18 SF

Financing: National Bank of Arizona 7.5 Cap rate

By Robert Butler and Don Anderson Cosgrove White Mountain Heritage Realty

Twenty Questions with Needed Answers:

1. What physical plant will college require in 2012?
2. How many students will be transferred from community college?
3. How many students will be transferred from out of state?
4. How many students will be transferred from main campus?
5. What degree programs are envisioned for this campus?
6. How can the communities identify educational needs for planning purposes?
7. How much money will be required to finance construction of campus?
8. How long will temporary facilities need to suffice in construction phase?
9. How many students will startup campus accommodate?
10. What lease terms are acceptable to budget planning process?
11. How many faculty / staff will the campus require at capacity?
12. If campus is designed sustainable, what are incremental costs of build?
13. Is the college willing to commit to 25 year lease?
14. What coordination is planned with ASU? Coconino CC? Gila CC?
15. Will campus accommodate feeder classrooms from CC?
16. Can fully operational campus be ready by 2012?
17. What commitment is required from legislature to fund project?
18. Who is in charge of these decisions at college?
19. When can we secure a letter of intent?
20. How much is the target tuition cost a factor?

Deal in a box:

1. Land package financed with construction loan.
2. Utilities provided with bond financing.
3. Engineering design, build, inside lease terms.
4. Construction financing by bank syndication.
5. Cooperative agreement with NPC/ ASU.
6. Communications with local media with plans, programs.
7. Town officials in support and in front with media.
8. Grant applications by every conceivable source to supplement funding.
9. Fixed 25 -year lease negotiated and collateral for bank.
10. Community organized welcome process for campus.

Triggers:

- Support by all designated officials with answers to above questions and approved framework for agreement to proceed with planning.
- Favorable media treatment by responsible spokesperson(s). and early announcement of intent to proceed.
- Formation of local planning commission to address issues and answer public questions.
- Public/private partnership for planning, financing, and oversight.

NAVAJO COUNTY COMMUNITY COLLEGE DISTRICT
Statement of Financial Position
For the period

July 1, 2009 to November 30, 2009

Budget Period Expired

42%

Tax Supported Funds

	General Unrestricted			Unrestricted Plant			Retirement of Indebtedness		
	Budget	Current Month Actual	Y-T-D Actual %	Budget	Current Month Actual	Y-T-D Actual %	Budget	Current Month Actual	Y-T-D Actual %
REVENUES									
Primary Tax Levy	11,344,683	2,257,232	6,098,306						
Secondary Tax Levy									
State Aid:									
Maintenance and Operations	4,250,300		1,795,000					5,738	35,559
Capital									
Equalization	5,386,500		3,312,000						
Tuition and Fees	4,335,000	524,687	1,926,732						
Investment earnings	175,000	6,987	41,300	25,000	1,137	6,039			24%
Grants and Contracts	750,000		560,312						
Other Miscellaneous	100,000	18,321	111,788						
Transfers:	(2,950,000)	(202,229)	(952,229)	2,250,000	187,500	937,500			42%
TOTAL REVENUES	\$23,391,483	\$2,604,997	\$12,893,209	\$2,275,000	\$188,637	\$943,539	\$0	\$5,738	\$35,559
EXPENDITURES									
Salaries and Wages	15,870,152	1,221,862	5,399,088						
Operating Expenditures	6,506,448	253,755	1,854,567	2,275,000	39,667	690,618			30%
Capital Expenditures	437,400	60,103	211,994						
TOTAL EXPENDITURES	\$22,814,000	\$1,535,720	\$7,465,649	\$2,275,000	\$39,667	\$690,618	\$0	\$0	\$0

Restricted, Auxiliary and Agency Funds

	Restricted			Auxiliary			Agency		
	Budget	Current Month Actual	Y-T-D Actual %	Budget	Current Month Actual	Y-T-D Actual %	Budget	Current Month Actual	Y-T-D Actual %
REVENUES									
Grants and Contracts	4,650,000	56,486	2,349,067						
Sales and Services									
Bookstore				1,000,000	13,583	653,992			65%
Other				70,000	6,890	17,352			25%
Investment Earnings									
Donations									
Board Designated Donation	400,000	14,729	14,729	300,000	0	0			0%
Transfers:									
TOTAL REVENUES	\$5,050,000	\$56,486	\$2,363,796	\$1,370,000	\$20,473	\$671,344	\$0	\$444	\$2,853
EXPENDITURES									
Salaries and Wages	838,787	88,307	328,457						
Operating Expenditures	4,211,213	99,954	2,035,339	166,207	13,759	59,374			36%
Capital Expenditures				1,199,793	292,324	363,236		1,037	2,170
				4,000					0%
TOTAL EXPENDITURES	\$5,050,000	\$188,261	\$2,363,796	\$1,370,000	\$306,083	\$422,610	\$0	\$1,037	\$2,170

Cash flows from all activities (YTD)

Cash used for all activities (YTD)

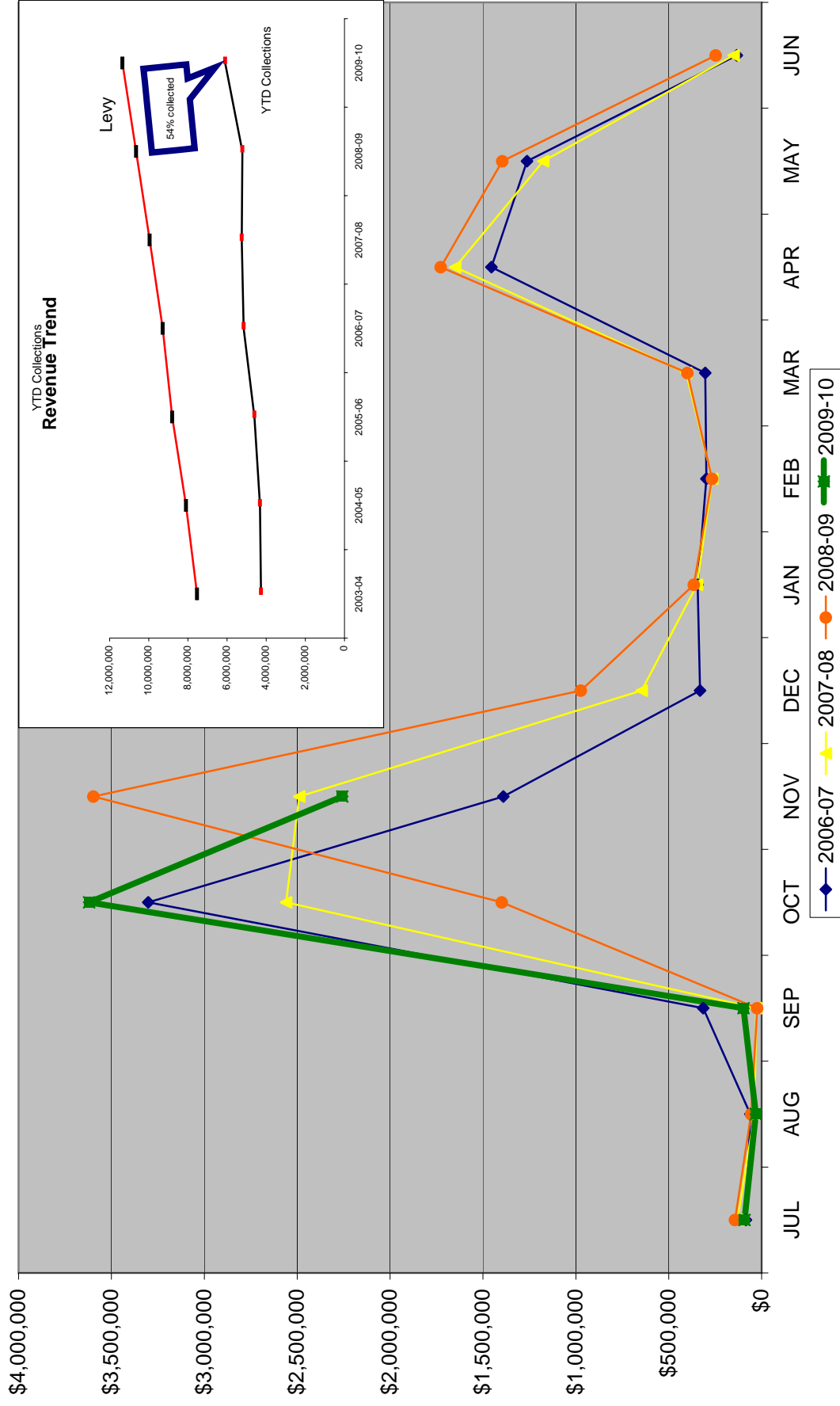
Net Cash for all activities (YTD)

16,910,301

10,944,843

\$ 5,965,458

Monthly Primary Property Tax Receipts



Human Resources Update January 19, 2010

1. **Information Services Director – Eric Bishop, M.S. Computer Information Systems-2008/Boston University, B.S. Technical Management-2006/DeVry University & NPC CIS Faculty Member since 2006.**
2. **TLC Data Specialist – Tabitha Stickel, NPC Employee-2006-2008/Support Center Operator.**
3. **Financial Aid Specialist-Closed 12-18-09. 17 Applicants. Committee In-Process/Interviews on 1-12-2010.**
4. **Faculty in Educational Technology – Reposted/Closed 12-31-09. 11 Candidates. Committee In-Process.**
5. **Accounting Technician/Fund Grant Accountant – Reposted/Closed 1-11-2010. 8 Applicants. Committee In-Process.**



Northland Pioneer College

Post Office Box 610 • Holbrook, Arizona • (928) 524-7600 • Fax: (928) 524-7612 • www.npc.edu