

**REPORT
HIGHLIGHTS**
SINGLE AUDIT

Subject

The District is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the District has met its responsibilities. The District's Single Audit Reporting Package includes our report on the District's financial statements, the District's financial statements, including its schedule of expenditures of federal awards, and our reports on the District's compliance and internal control.

Our Conclusion

The information in the financial statements is fairly stated in all material respects, and the financial statements can be relied on. The District maintained adequate internal controls over financial reporting and federal requirements and complied with federal requirements. However, auditors found internal control weaknesses and an instance of federal noncompliance, as summarized on page 3.



2008

Year Ended June 30, 2008

**Summarized Financial
Information**

The District's financial information is presented in three basic financial statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. The District's component unit is not included in the condensed financial information that follows.

Statement of Net Assets

The Statement of Net Assets reports all assets and liabilities using the accrual basis of accounting, which is similar to the accounting that most private-sector institutions use. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health. The Summarized Statement of Net Assets shows that the District's net assets were \$64.8 million at June 30, 2008.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the District's operating and nonoperating revenues and expenses, and the resulting change in net assets. The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of current-year operations. The Summarized Statement of Revenues and Expenses shows that the net assets increased by \$4.3 million during fiscal year 2008.

**Summarized Statement of Net Assets
As of June 30, 2008
(In Millions)**

Assets	
Current	\$30.0
Capital	<u>37.5</u>
Total assets	<u>67.5</u>
Liabilities	
Current	1.9
Compensated absences	<u>0.8</u>
Total liabilities	<u>2.7</u>
Net Assets	
Invested in capital assets	37.5
Restricted	0.9
Unrestricted	<u>26.4</u>
Total net assets	<u>\$64.8</u>

**Summarized Statement of Revenues
and Expenses
For the Year Ended June 30, 2008
(In Millions)**

Operating Revenues	
Tuition and fees	\$ 2.9
Contracts	5.7
Other operating revenues	<u>1.1</u>
Total operating revenues	<u>9.7</u>
Nonoperating Revenues	
Property taxes	2.7
State appropriations	18.5
Government grants	3.3
Share of state sales taxes	0.5
Other	<u>1.9</u>
Total nonoperating revenues	<u>26.9</u>
Total revenues	<u>36.6</u>
Operating Expenses	
Educational and general	28.3
Auxiliary enterprises	2.5
Depreciation	<u>1.5</u>
Total operating expenses	<u>32.3</u>
Increase in net assets	4.3
Net assets—beginning	<u>60.5</u>
Net assets—ending	<u>\$64.8</u>

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement helps users assess the District's ability to generate net cash flows to meet its obligations as they come due and the need for external financing. The summary to the right shows the net cash flows from each of the District's major activities for the year ended June 30, 2008.

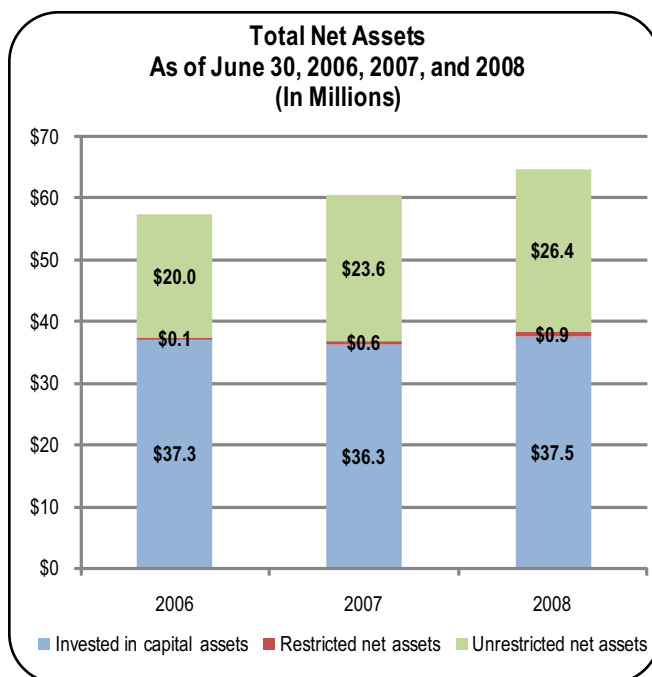
Summarized Statement of Cash Flows For the Year Ended June 30, 2008 (In Millions)

Cash flows from	
Operating activities	\$(22.2)
Noncapital financing activities	25.0
Capital and related financing activities	(1.7)
Investing activities	1.0
Net increase in cash	<u>\$ 2.1</u>

The District's Net Assets Increased \$7.4 Million since June 30, 2006

The District's net assets increased \$7.4 million, or 13 percent, from June 30, 2006 to June 30, 2008. As shown in the graph below, net assets are reported in three categories: (1) invested in capital assets, which was 57.9 percent of total net assets as of June 30, 2008; (2) restricted, which was 1.4 percent of total net assets; and (3) unrestricted, which was 40.7 percent of total net assets. The District's net assets invested in capital assets, totaling \$37.5 million at June 30, 2008, represent the District's investments in land, buildings, and

equipment, less accumulated depreciation. Restricted net assets, totaling \$0.9 million at June 30, 2008, are resources restricted by external governments and must be used for specified purposes, such as federal or state grant requirements. The District's largest increase to net assets was in the unrestricted category. As of June 30, 2008, these unrestricted resources totaled \$26.4 million. The District can use these resources at its discretion to help finance continuing operations, award scholarships to students, and add or improve buildings and equipment.

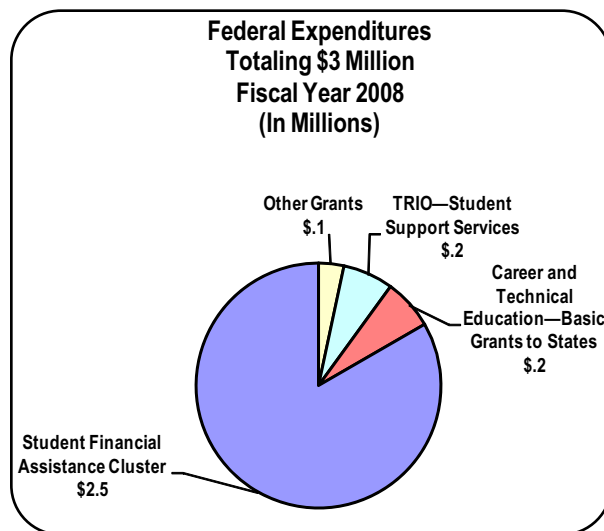


The District Spent \$3 Million of Federal Monies

The District spent \$3 million of federal monies and additional required district matching monies this past year for ten federal grant programs. The largest federal grants were for student financial assistance. Under the guidelines established by the Single Audit Act, auditors tested the Student Financial Assistance Cluster, which included

the following federal programs:

- Federal Supplemental Educational Opportunity Grants
- Federal Work-Study Program
- Federal Pell Grant Program
- Academic Competitiveness Grants



The District Should Strengthen Certain Controls over Purchasing and Federal Compliance

Auditors found one internal control weakness over financial reporting and one internal control weakness and noncompliance with federal cash management requirements as follows:

Financial statement finding:

- The District should strengthen its internal control policies and procedures over purchasing to follow competitive bidding practices that are consistent with other Arizona college district best practices and to ensure that employees are not involved in decisions to make district purchases from vendors in which those employees had an ownership or management interest.

Federal award finding:

- The District should improve its internal control procedures so that it closely monitors student financial assistance cash balances, and if positive cash balances exist, it should follow federal guidelines to eliminate the excess balances.



TO OBTAIN
MORE INFORMATION

A copy of the full report
can be obtained by calling
(602) 553-0333



or by visiting
our Web site at:
www.azauditor.gov

Contact person for
this report:
Donna Miller

**Graham County
Community College
District**

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Year Ended June 30, 2008