

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.

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, as summarized on this page.



2009

Year Ended June 30, 2009

The District Should Strengthen Access Controls and Change Management Controls over its General Ledger System

It is critical that the District establish and enforce effective internal control over financial reporting. However, auditors noted that the District did not have adequate policies and procedures to ensure that system users were granted access rights to only those general ledger system functions necessary to perform their job responsibilities, that

users' access was periodically monitored, and that users' access rights were removed immediately upon their termination. Also, the District did not have adequate policies and procedures to effectively track its general ledger system program changes.

Auditor recommendations to improve internal controls—

The District should establish and implement the following policies and procedures to help strengthen internal controls for its general ledger system.

For access controls:

- The District should perform a comprehensive review of all existing general ledger system users to ensure that employees have access rights that are compatible with their current job responsibilities. Further, the District should have controls in place to ensure users are granted system access to only those functions necessary to perform their job responsibilities and implement policies and procedures for monitoring and reviewing the activities of those who have heightened access privileges. Finally, the access rights of users no longer employed by the District should be immediately removed.

For change management controls:

- The District should establish effective policies and procedures for controlling all program changes made to its general ledger system that require all program changes be logged, documented, authorized, tested, reviewed, and approved prior to being put into use.

Condensed Financial Information

Statement of Net Assets—This statement 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 table to the right presents a condensed Statement of Net Assets as of June 30, 2009.

Statement of Revenues, Expenses, and Changes in Net Assets—This statement reports all revenues, expenses, and other changes to net assets. Revenues and expenses are reported as either operating or nonoperating. The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of current-year operations. The District's net assets increased by \$4.4 million during the fiscal year. A condensed Statement of Revenues, Expenses, and Changes in Net Assets is presented to the right.

Condensed Statement of Net Assets June 30, 2009 (In Millions)	
Assets:	
Current	\$34.7
Capital	<u>37.2</u>
Total assets	<u>71.9</u>
Liabilities:	
Current	1.9
Compensated absences	<u>0.8</u>
Total liabilities	<u>2.7</u>
Net Assets:	
Invested in capital assets	37.2
Restricted	1.3
Unrestricted	<u>30.7</u>
Total net assets	<u>\$69.2</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended June 30, 2009 (In Millions)	
Operating revenues:	
Tuition and fees	\$ 3.2
Contracts	6.4
Other operating revenues	<u>1.6</u>
Total operating revenues	<u>11.2</u>
Operating expenses:	
Educational and general	32.0
Auxiliary enterprises	2.6
Depreciation	<u>1.6</u>
Total operating expenses	<u>36.2</u>
Operating loss	(25.0)
Nonoperating revenues:	
Property taxes	3.3
State appropriations	19.5
Government grants	5.9
Other	<u>0.7</u>
Total nonoperating revenues	<u>29.4</u>
Increase in net assets	4.4
Net assets—beginning	<u>64.8</u>
Net assets—ending	<u>\$69.2</u>

The District Experienced an Increase in Federal Award Expenditures

Overall, district expenditures of federal award monies increased by \$2.6 million, or 87 percent, from the \$3.0 million expended during fiscal year 2008. The increase is primarily attributed to the District receiving an increase in federal award monies in fiscal year 2009. The U.S. Department of Education programs had a \$2.1 million increase primarily due to \$0.8 million

additional funding related to the Student Financial Assistance Cluster and \$0.9 million for the State Fiscal Stabilization Funds—Education State Grants, Recovery Act. In addition, the District received a new grant, the Distance Learning and Telemedicine Loans and Grants program, from the Department of Agriculture for \$0.4 million.

Federal Expenditures by Awarding Agency Total \$5.6 Million Year Ended June 30, 2009 (In Thousands)	
U.S. Department of Education	\$5,130
U.S. Department of Agriculture	396
U.S. Small Business Administration	85
U.S. Department of Interior	4
Total federal expenditures	<u>\$5,615</u>

Federal fiscal stabilization funds—According to the State of Arizona's Office of the Governor, it received Federal American Recovery and Reinvestment Act Monies totaling \$183 million for fiscal year 2009 under the State Fiscal Stabilization Fund Program. Program monies were distributed to the State's universities and community colleges to restore the shortfall in fiscal year 2009 state funding for higher education. The State allocated the Graham County Community College District \$0.9 million of this program's monies, and the District used the monies for salaries and benefits to support those faculty members providing instruction to students.

TO OBTAIN
MORE INFORMATION

A copy of the full report
is available at:

www.azauditor.gov

Contact person:
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**Graham County Community
College District**

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Year Ended June 30, 2009