

**REPORT  
HIGHLIGHTS**  
FINANCIAL AND SINGLE AUDITS

**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 District's financial statements is fairly stated in all material respects, and the financial statements can be relied on. Generally, the District maintained adequate internal controls over financial reporting, with three exceptions. Also, for the federal programs tested, the District maintained adequate internal controls over, and complied with, federal program requirements, with two exceptions. See pages 2 and 3 for further details.



**2008**

Year Ended June 30, 2008

**The District Has over \$266 Million Available for Capital Improvements**

In November 2004, the voters of Maricopa County approved \$951.4 million in general obligation bonds for capital improvements to the District. Since March 2005, the District has issued \$430.3 million of the 2004 bonds for capital improvements. The District has spent \$248.6 million from these bond proceeds for capital projects, and at June 30, 2008, the District had \$181.7 million in general obligation bond proceeds remaining to use on capital projects. In addition, the District has accumulated \$39.8 million in interest earnings on unspent general

obligation bond proceeds \$43.6 million in capital appropriations from the State, and \$1.6 million in other sources for future capital projects. In total, the District had \$266.7 million available for capital projects at year-end along with \$521.1 million of the 2004 bonds that were authorized but unissued at year-end. District management has stated that \$66.9 million of the available balance had been encumbered at June 30, 2008, and the remaining monies have been earmarked for specific capital projects or reserved to guard against inflation and interest rate fluctuations.

**Condensed 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 table to the right presents a condensed Statement of Net Assets as of June 30, 2008.

<b>Assets</b>	
Current	\$ 331
Noncurrent, other than capital	320
Capital	<u>525</u>
Total assets	<u>1,176</u>
<b>Liabilities</b>	
Current	120
Noncurrent	<u>557</u>
Total liabilities	<u>677</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	130
Restricted	170
Unrestricted	<u>199</u>
Total net assets	<u>\$ 499</u>

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the District's operating results, as well as nonoperating revenues and expenses. 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 \$81 million during the fiscal year. The table to the right summarizes the District's revenues and expenses for the year ended June 30, 2008.

## 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 table to the right shows the net cash flows from each of the District's major activities.

### Revenues and Expenses For the Year Ended June 30, 2008 (In Millions)

<b>Operating Revenues</b>	
Tuition and fees	\$141
Other operating revenues	<u>13</u>
Total operating revenues	<u>154</u>
<b>Nonoperating Revenues</b>	
Property taxes	400
Grants and contracts	78
State appropriations	69
Other	<u>46</u>
Total nonoperating revenues	<u>593</u>
Total revenues	<u>\$747</u>
<b>Operating Expenses</b>	
Educational and general	\$553
Auxiliary enterprises	59
Depreciation	29
Other	<u>1</u>
Total operating expenses	<u>642</u>
<b>Nonoperating Expenses</b>	
Interest expense on debt	<u>24</u>
Total expenses	<u>\$666</u>
<b>Increase in Net Assets</b>	<u>\$ 81</u>

### Cash Flows For the Year Ended June 30, 2008 (In Millions)

Cash Flows from	
Operating activities	\$(455)
Noncapital financing activities	559
Capital and related financing activities	(173)
Investing activities	<u>85</u>
Net increase in cash	<u>\$ 16</u>

## The District Should Strengthen Controls Over its Computer Systems

The District's general ledger, payroll, and student information systems are critical to its operations. Establishing and following effective internal control policies and procedures is essential to prevent or detect unauthorized use, damage, loss, or modifications of programs and equipment, and the misuse of sensitive information. However, the District had not established adequate policies and procedures to adequately protect its computer systems and data. Specifically, auditors noted deficiencies

in the District's procedures to monitor access to computer systems and data, disaster recovery planning, and tracking changes to computer programs and data.

These deficiencies were included in a separately issued 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 *Governmental Auditing Standards* dated December 15, 2008.

## Expenditures of Federal Awards Increased by \$16.1 Million

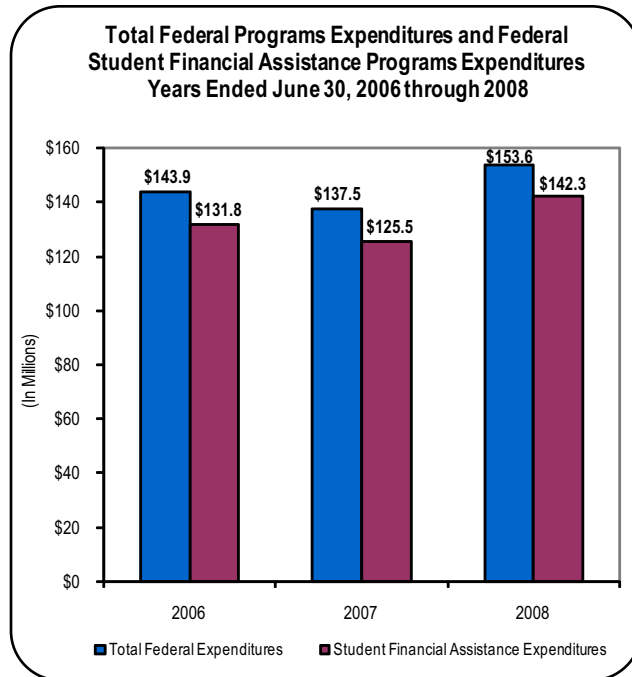
District expenditures of federal awards increased by \$16.1 million or 11.7 percent from fiscal year 2007 after decreasing by \$6.4 million, or 4.4 percent from fiscal year 2006, as illustrated in the figure to the right.

The increase was almost entirely due to a \$16.8 million, or 13.4 percent, rise in federal student financial assistance (SFA) awards from the prior fiscal year. In total, the Districts spent 92.6 percent of its federal monies for SFA programs in fiscal year 2008.

The following three student financial assistance programs had significant changes from fiscal year 2007.

- The Federal Pell Grant Program increased by \$4.8 million (10.8 percent).
- The Federal Family Education Loans program increased by \$11.1 million (16.3 percent).
- The Federal Direct Student Loans program increased by \$0.7 million (9.1 percent).

The increased expenditures in SFA resulted primarily from increases in award limits.



## The District Did Not Always Comply with Federal Requirements

Auditors identified and tested two federal programs under the guidelines established by the Single Audit Act. The federal programs tested were the Education and Human Resources program and Student Financial Assistance Cluster. Audit tests on the programs included evaluating the District's compliance with each program's federal regulations generally related to expenditures, eligibility, and special requirements. Auditors noted the following internal control weaknesses and instances of noncompliance for the Student Financial Assistance Cluster:

- Student Status Confirmation Reports (SSCR) were not always submitted within 60 days to notify lenders of each student's current enrollment status as required by federal regulations. Further, one college

did not ensure students' status information was correct on its SSCR.

- The District did not always disburse loans to students within 3 business days of receipt as required by federal regulations.

### The Single Audit Fact Sheet

- Three weaknesses were identified over financial reporting internal controls.
- Two weaknesses in federal compliance internal controls were noted that resulted in noncompliance with federal compliance requirements.
- No program costs were questioned as a result of our audit.

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Contact person for  
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Tara Erickson



**Maricopa County  
Community College  
District**

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Year Ended June 30, 2008