

REPORT HIGHLIGHTS

SINGLE AUDIT

Subject

The District is responsible for preparing financial statements, complying with federal and state laws, and maintaining strong internal controls over compliance and financial reporting. 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, 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 District's financial statements is fairly stated in all material respects, and the financial statements can be relied upon. The District maintained adequate internal controls over financial reporting with three exceptions. Also, the District maintained adequate internal controls over, and complied with federal program requirements with one exception. The report recommends that the District separate cash-handling and recording responsibilities among employees, improve controls over its information system, ensure the accuracy of its accounting records, and comply with federal reporting requirements.



2004

Year Ended June 30, 2004

District's Condensed Financial Information

The following tables present summarized versions of the District's Statement of Net Assets and its Statement of Revenues, Expenses, and Changes in Net Assets.

Statement of Net Assets
As of June 30, 2004 and 2003
(In Thousands)

	2004	2003
Assets		
Current	\$ 6,912	\$ 8,360
Noncurrent, other than capital	101	128
Capital	<u>31,926</u>	<u>31,125</u>
Total assets	<u>38,939</u>	<u>39,613</u>
Liabilities		
Current	3,003	3,396
Noncurrent	<u>7,274</u>	<u>8,726</u>
Total liabilities	<u>10,277</u>	<u>12,122</u>
Net Assets		
Invested in capital assets, net of related debt	23,021	21,171
Restricted	12	249
Unrestricted	<u>5,629</u>	<u>6,071</u>
Total net assets	<u>\$28,662</u>	<u>\$27,491</u>

Revenues and Expenses
For the Years Ended June 30, 2004 and 2003
(In Thousands)

	2004	2003
Operating Revenues		
Tuition and fees	\$ 1,930	\$ 1,807
Government grants and contracts	3,934	4,245
Other operating revenues	<u>1,236</u>	<u>1,125</u>
Total operating revenues	<u>7,100</u>	<u>7,177</u>
Nonoperating Revenues		
Property taxes	9,078	8,335
State appropriations	6,118	5,967
Other operating revenues	<u>597</u>	<u>1,430</u>
Total nonoperating revenues	<u>15,793</u>	<u>15,732</u>
Total revenues	<u>\$22,893</u>	<u>\$22,909</u>
Operating Expenses		
Educational and general	\$18,768	\$17,625
Auxiliary enterprises	1,478	1,230
Depreciation	<u>937</u>	<u>851</u>
Total operating expenses	<u>21,183</u>	<u>19,706</u>
Nonoperating Expenses		
Interest expense on debt	264	601
Other nonoperating expenses	<u>275</u>	<u>—</u>
Total nonoperating expenses	<u>539</u>	<u>601</u>
Total expenses	<u>\$21,722</u>	<u>\$20,307</u>

District Implements New Accounting Standard

During fiscal year 2004, the District implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement provided guidance for determining whether organizations should be reported as component units based on the nature and significance of their relationship with the District.

As a result of implementing this standard, the District is reporting the Northland Pioneer College Foundation as a discretely presented component unit and is including the Foundation's financial information in its financial statements.

The District Needs to Improve Controls Over its Accounting Records

The District's Governing Board depends on accurate information to fulfill its oversight responsibility. Additionally, the District must issue accurate and timely financial statements to ensure compliance with audit requirements imposed by federal and state laws and regulations, grant contracts, and long-term debt covenants. To achieve this objective, the District must ensure that financial transactions are accurately recorded in its accounting records.

During fiscal year 2004, the District did not adjust its accounting records to reflect year-end balances, did not record prior year audit adjustments in the accounting records, and did not always properly classify financial transactions in its accounting records. Auditors noted the following errors:

- Adjustments of approximately \$6 million were not made to correct beginning net assets.
- Capital assets and long-term debt were misstated by approximately \$5.8 million and \$1.3 million, respectively.
- Misclassifications occurred in cash, accounts receivable, government grants and contracts receivable, inventories, prepaid expenses, accounts payable, installment purchase contracts payable, deferred revenue, compensated absences payable, and payroll expenses totaling approximately \$1,250,000.

These deficiencies required a significant effort by auditors to assist the District in adjusting its financial statements and delayed the issuance of the District's financial statements for the year ended June 30, 2004.

The District Did Not Comply with Federal Compliance Requirements Applicable to All Major Programs

The Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320, requires that an audit be completed and the single audit reporting package be submitted within 9 months after the end of the audit period, unless a longer period is agreed to

by the oversight agency. The District obtained an extension from the U.S. Department of Education through June 30, 2006, for the submission of its single audit reporting package for the year ended June 30, 2004; however, the District did not meet the extended deadline.

TO OBTAIN MORE INFORMATION

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



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www.azauditor.gov

Contact person for this report:
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Year Ended June 30, 2004