

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AUDIT

**Condensed Financial
Information**

Subject

Pima County Community College District is responsible for preparing annual financial statements, maintaining strong internal controls over financial reporting, 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. However, auditors identified internal control weaknesses in the District's controls over purchasing. See page 3 for further details.

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 summary represents a condensed Statement of Net Assets as of June 30, 2008.

Assets	
Current	\$ 91
Restricted	2
Capital	136
Other noncurrent	<u>4</u>
Total assets	<u>233</u>
Liabilities	
Current	16
Noncurrent	<u>48</u>
Total liabilities	<u>64</u>
Net Assets	
Invested in capital assets, net of related debt	91
Restricted	8
Unrestricted	<u>70</u>
Total net assets	<u>\$169</u>



2008

Year Ended 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. Operating revenues and expenses are those that generally result from exchange transactions generated from providing instruction and public service. All other revenues and expenses, such as state appropriations, nonexchange grants, property tax revenues, and interest paid on capital debt, are considered 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 showed an increase of \$13 million. The summary to the right presents the District's revenues and expenses for the year ended June 30, 2008.

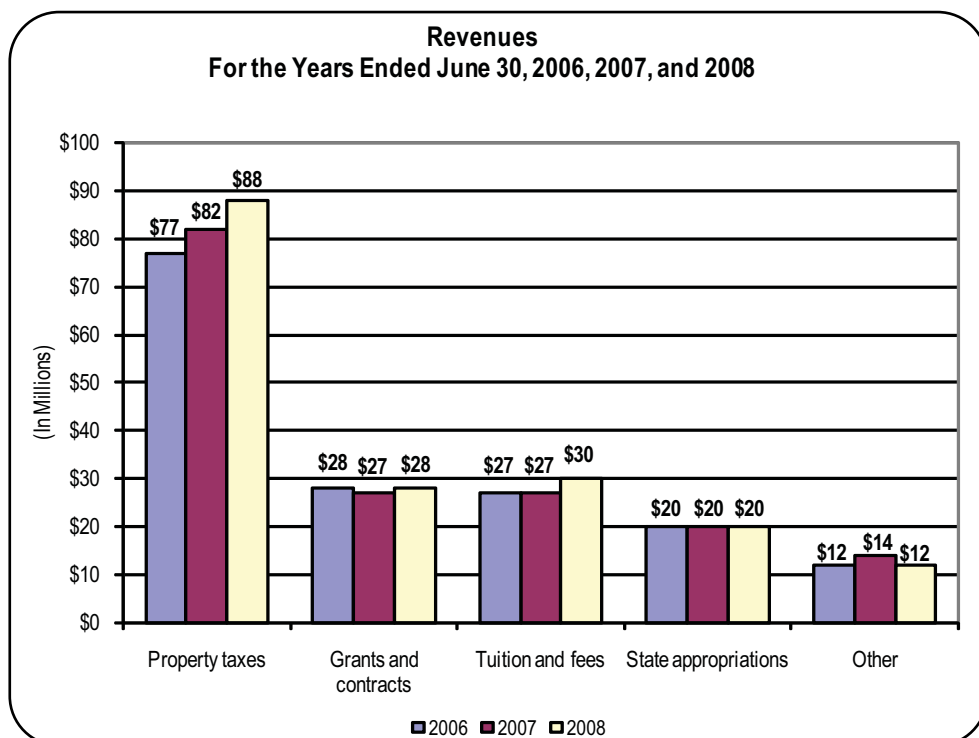
Revenues and Expenses

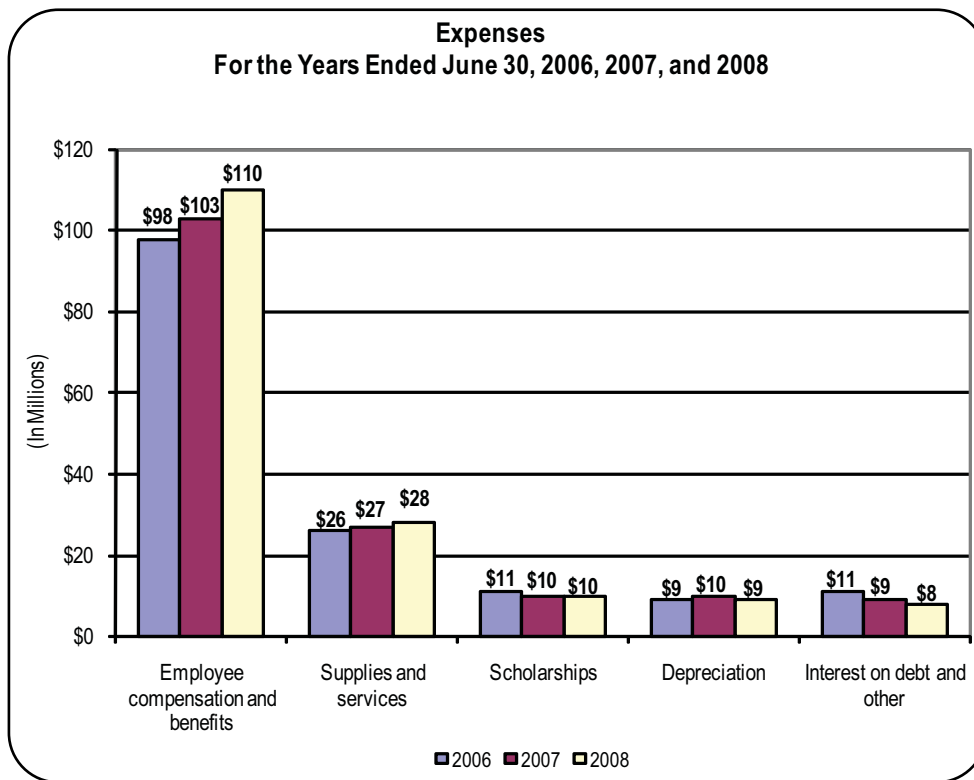
Between fiscal years 2006 and 2008, the District's revenues have increased by \$14 million. As shown in the chart below, this increase was primarily due to increases in property tax revenue and tuition and fees revenue. Property tax revenues increased by \$11 million primarily from increases in property valuations and new construction, and tuition and fees revenues increased by \$3 million primarily due to increases in tuition rates.

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

Operating Revenues	
Tuition and fees	\$ 30
Contracts	4
Other operating revenues	<u>3</u>
Total operating revenues	<u>37</u>
Nonoperating Revenues	
Property taxes	88
State appropriations	20
Federal grants	22
State and local grants	2
Share of state sales taxes	3
Other	<u>6</u>
Total nonoperating revenues	<u>141</u>
Total revenues	<u>\$178</u>
Operating Expenses	
Educational and general	\$152
Auxiliary enterprises	1
Depreciation	<u>9</u>
Total operating expenses	<u>162</u>
Nonoperating Expenses	
Interest on capital asset-related debt	<u>3</u>
Total expenses	<u>\$165</u>

Between fiscal years 2006 and 2008, the District's expenses have increased by \$10 million. As shown in the chart on the next page, this increase was primarily due to the increased cost of employee compensation and benefits, largely from higher salaries and the increased cost of supplies and services predominately from utility cost increases.





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.

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

Cash flows from	
Operating activities	\$(114)
Noncapital financing activities	134
Capital and related financing activities	(15)
Investing activities	<u>4</u>
Net increase in cash	<u>\$ 9</u>

The District Should Improve Internal Controls over Purchasing

The District purchases over \$30 million each year from many different vendors. Therefore, to help ensure that the District receives quality goods and services at the best possible price, it should establish and strictly adhere to purchasing policies and procedures. However, auditors found that the District had not developed adequate purchasing procedures over vendor payments to ensure that vendors received

timely payment for only legitimate district purchases. Auditors determined that the current procedures could allow duplicate payments to vendors for the same invoice or payments to fictitious vendors, or result in late payments to vendors. Auditors also found that the District's purchasing card policies were outdated and incomplete, and were not always followed by the District's employees.



TO OBTAIN
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A copy of the full report
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Contact person for
this report:
Donna Miller

**Pima County
Community College
District**

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Year Ended June 30, 2008