

**REPORT HIGHLIGHTS**  
FINANCIAL STATEMENT AND  
SINGLE AUDITS

**Our Conclusion**

Pinal County Community College District is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the District's financial statements, schedule, and major federal programs annually. A summary of the financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinion on the District's financial statements, a report on its schedule of expenditures of federal awards, and reports on its internal control and compliance over financial reporting and major federal programs. The information in the District's fiscal year 2012 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified internal control deficiencies and an instance of noncompliance over a major program. These findings are summarized on the next page.



2012

Year Ended June 30, 2012

**Condensed financial information**

**Statement of net assets**—This statement reports all assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- **Invested in capital assets, net of related debt**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and external entities, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

**Statement of revenues, expenses, and changes in net assets**—This statement reports all revenues, expenses, and other changes in net assets. The change in net assets indicates whether financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2012, net assets increased by \$4.9 million, or 5 percent, as compared to an increase of \$11.6 million, or 14 percent, in fiscal year 2011.

**Schedule of expenditures of federal awards**—During fiscal year 2012, the District expended \$24.6 million in federal awards, which included \$17.4 million that was spent as educational and general operating expenses and \$7.2 million that was disbursed as loans to students. The District's federal award expenditures increased by \$2.8 million, or 13 percent, compared to fiscal year 2011.

**Condensed statement of net assets  
As of June 30, 2012  
(In thousands)**

<b>Assets</b>	
Current assets	\$ 79,922
Noncurrent, other than capital	23,354
Capital assets, net of depreciation	<u>119,451</u>
Total assets	<u>222,727</u>
<b>Liabilities</b>	
Current	15,972
Noncurrent	<u>109,579</u>
Total liabilities	<u>125,551</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	22,268
Restricted	2,211
Unrestricted	<u>72,697</u>
Total net assets	<u>\$ 97,176</u>

**Condensed statement of revenues, expenses, and changes in net assets  
For the year ended June 30, 2012  
(In thousands)**

<b>Operating revenues</b>	
Tuition and fees, net of scholarship allowances	\$ 5,783
Other	<u>963</u>
Total operating revenues	<u>6,746</u>
<b>Operating expenses</b>	
Educational and general	57,309
Auxiliary enterprises	955
Depreciation	<u>3,199</u>
Total operating expenses	<u>61,463</u>
Operating loss	(54,717)
<b>Nonoperating revenues and expenses</b>	
Property taxes	41,241
State appropriations	2,086
Government grants	18,712
Other	930
Interest expense	<u>(3,390)</u>
Net nonoperating revenues	<u>59,579</u>
Increase in net assets	4,862
Net assets—beginning	<u>92,314</u>
Net assets—ending	<u>\$97,176</u>

**Condensed schedule of expenditures of federal awards by grantor agency  
For the year ended June 30, 2012  
(In thousands)**

U.S. Department of Education	\$23,217
U.S. Department of Labor	1,153
Other	<u>238</u>
Total federal expenditures	<u>\$24,608</u>

## Summary of audit findings and recommendations

For the financial statement audit, we found that the District's purchasing policies and procedures were not always adhered to and needed to be evaluated and improved. For the federal compliance audit, we tested three federal programs under the major program guidelines established by the Single Audit Act and noted that the District did not always have adequate internal controls and did not always comply with certain federal program requirements for the Higher Education—Institutional Aid program. The Single Audit Reporting Package, which includes the auditors' reports on internal control and compliance over financial reporting and federal compliance and a Schedule of Findings and Questioned Costs, contains further details to help the District correct these deficiencies. The findings and recommendations are summarized below.

### Inadequate purchasing policies and procedures

The District did not follow sound purchasing practices when it purchased land and other contracted services during fiscal year 2012. Specifically, the District spent nearly \$8.7 million to purchase land without obtaining an appraisal. In addition, the District renewed its food services and facilities maintenance contracts for another 12 and 5 years, respectively, without using competitive purchasing procedures. Both contracts, totaling nearly \$1.3 million annually, were with a vendor that the District had used for many years.

### Noncompliance with federal program requirements

During fiscal year 2012, for the Higher Education—Institutional Aid program, the District paid its food services contractor over \$14,000 in program monies without following competitive purchasing procedures, as required by the federal program's requirements. The District's fiscal year 2012 federal award expenditures totaled almost \$352,000 for this program.

### Recommendations

To help ensure that it receives the best possible value for the monies it spends and that it complies with federal program requirements, the District should evaluate and improve its existing purchasing policies; establish detailed procedures for employees to follow when purchasing major assets, such as land and buildings, and other goods and services; and implement these policies and procedures for all of its purchases.