

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 a report that included our opinions on the District's financial statements and 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 2013 financial statements and schedule of federal awards is reliable. Our reports identified an internal control deficiency and an instance of noncompliance over one of the District's major federal programs. This finding is summarized on the next page.



2013

Year Ended June 30, 2013

Condensed financial information

Statement of net position—This statement reports all of the District's assets, deferred outflows and inflows of resources, liabilities, and net position. Net position is reported in the following three major categories:

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

Statement of revenues, expenses, and changes in net position—This statement reports all revenues, expenses, and other changes in net position. The change in net position indicates whether the District's financial health has improved or deteriorated as a result of the current-year activities. During fiscal year 2013, net position increased by \$2.8 million, or 3 percent, as compared to an increase of \$4.9 million, or 5 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the District expended almost \$24.1 million in federal awards, which consisted primarily of student financial assistance. This included \$17.3 million that was spent as educational and general operating expenses and \$6.8 million that was disbursed as loans to students. The District's federal award expenditures decreased by \$549,000, or 2 percent, compared to fiscal year 2012.

**Condensed statement of net position
As of June 30, 2013
(In thousands)**

Assets	
Current assets	\$ 48,084
Noncurrent, other than capital	4,022
Capital assets, net of depreciation	<u>162,809</u>
Total assets	<u>214,915</u>
Liabilities	
Current	10,314
Noncurrent	<u>104,634</u>
Total liabilities	<u>114,948</u>
Net position	
Net investment in capital assets	54,487
Restricted	10,016
Unrestricted	<u>35,464</u>
Total net position	<u>\$ 99,967</u>

**Condensed statement of revenues,
expenses, and changes in net position
For the year ended June 30, 2013
(In thousands)**

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 5,998
Other	<u>1,332</u>
Total operating revenues	<u>7,330</u>
Operating expenses	
Educational and general	57,700
Auxiliary enterprises	1,281
Depreciation	<u>4,525</u>
Total expenses	<u>63,506</u>
Operating loss	(56,176)
Nonoperating revenues and expenses	
Property taxes	41,793
State appropriations	2,108
Government grants	18,163
Other	1,385
Interest expense	<u>(4,508)</u>
Net nonoperating revenues	<u>58,941</u>
Increase in net position	2,791
Net position—beginning	<u>97,176</u>
Net position—ending	<u>\$ 99,967</u>

**Condensed schedule of expenditures
of federal awards by grantor agency
For the year ended June 30, 2013
(In thousands)**

U.S. Department of Education	\$22,972
U.S. Department of Labor	981
Other	<u>105</u>
Total federal expenditures	<u>\$24,058</u>

Summary of audit findings and recommendations

For the financial statement audit, our report on internal control and compliance included in our Single Audit Report did not include any reported deficiencies in the District's internal control over financial reporting. For the federal compliance audit, we tested four 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 federal program requirements for one of its programs. Our Schedule of Findings and Questioned Costs included in our Single Audit Report contains further details to help the District correct this deficiency as summarized below.

Noncompliance with federal program requirements

For the Higher Education—Institutional Aid federal grant program, the District submitted two annual performance reports to the U.S. Department of Education (Department) during fiscal year 2013 that contained errors in the amount of federal expenditures reported for the period. In one report, expenditures were under-reported by \$229,000, and in the other report, expenditures were over-reported by \$592,000. Additionally, the District was unable to provide documentation to support the monies spent on specific activities for one of the performance reports. The Department uses these reports to verify that program requirements were met. Therefore, the Department may not be able to accurately monitor the District's performance from the reports submitted.

Recommendation

The District should develop and implement policies and procedures over the preparation of the Higher Education—Institutional Aid federal grant program annual performance reports to help ensure they are complete, mathematically correct, and reviewed prior to submission to the Department. Additionally, the District should ensure it maintains adequate documentation to support the information contained in its annual performance reports.