



REPORT HIGHLIGHTS SINGLE AUDIT

Subject

Pinal County Community College District issues financial statements and a schedule of expenditures of federal awards annually. The District is responsible for preparing its statements and schedule, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to these financial statements. A summary of this information is presented on page 2. Also, auditors identified internal control weaknesses and instances of noncompliance, as summarized on this page.



2011

Year Ended June 30, 2011

Summary of Audit Findings

For the financial statement audit, auditors found internal control weaknesses over granting information access, purchasing, and reporting scholarship allowances. For the federal compliance audit, auditors tested three federal programs under the guidelines established by the Single Audit Act and noted a significant deficiency in internal control over compliance and instance of noncompliance with federal program requirements for the Higher Education—Institutional Aid program. The District's Single Audit Report contains further details and auditor recommendations. The audit findings are summarized below.

Financial Statement Findings—

Computer System Access

Controls—The District did not have policies and procedures to ensure that system access granted to users was appropriate and included only those functions necessary to perform their job responsibilities. In addition, the District did not monitor the activities of users with unlimited system access.

Purchasing—During the year, the District spent approximately \$22 million for goods and services. However, the District did not always enforce its policies when procuring goods and services because it allowed members of management to bypass its centralized purchasing function. Specifically, auditors noted that the District did not competitively procure services totaling \$1.3 million for the year.

Scholarship Allowances—The District did not correctly estimate its scholarship allowances for the year, and the calculation was not adequately reviewed for accuracy. As a result, scholarship allowances, which are netted against tuition and fees and dormitory rentals and fees, were misstated by nearly \$1 million. The financial statements were adjusted to correct this error.

Federal Award Findings—

Higher Education—Institutional Aid—The District charged travel and meal expenditures associated with entertainment to the program that were not allowed by the program's requirements related to allowable costs. Auditors noted questioned costs of \$527 as a result of this finding. The District spent approximately \$513,000 in federal awards for this program during the year.

Summary of Financial Information

The basic financial statements report the District's finances in a manner similar to private sector higher educational institutions.

Statement of Net Assets—This statement reports all of the District's assets, liabilities, and net assets using the accrual basis of accounting. 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 land, buildings, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets shows the net resources available for general operations.

Statement of Revenues, Expenses, and Changes in Net Assets—This statement shows how net assets changed during the year. Revenues and expenses are reported as either operating or 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 increased by \$11.6 million during the fiscal year.

Schedule of Expenditures of Federal Awards—The District's expenses included \$21.8 million in federal awards expended. The District's federal award expenditures decreased by \$724,000, or 3 percent, compared to fiscal year 2010. During fiscal year 2011, the District received American Recovery and Reinvestment Act (ARRA) monies from the State of Arizona to provide financial assistance to students and to help offset shortfalls in state funding for higher education, respectively.

Condensed Statement of Net Assets June 30, 2011 (In Thousands)	
Assets:	
Current	\$ 73,913
Noncurrent, other than capital	16,531
Capital	<u>66,411</u>
Total assets	<u>156,855</u>
Liabilities:	
Current	8,723
Noncurrent	<u>55,818</u>
Total liabilities	<u>64,541</u>
Net Assets:	
Invested in capital assets, net of related debt	22,107
Restricted	2,565
Unrestricted	<u>67,642</u>
Total net assets	<u>\$ 92,314</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2011 (In Thousands)	
Operating revenues:	
Tuition and fees	\$ 5,807
Other	<u>613</u>
Total operating revenues	<u>6,420</u>
Operating expenses:	
Educational and general	54,226
Auxiliary enterprises	985
Depreciation	<u>3,108</u>
Total operating expenses	<u>58,319</u>
Operating loss	<u>(51,899)</u>
Nonoperating revenues and expenses:	
Property taxes	41,516
State appropriations	4,935
Grants and contracts	17,681
Other	2,012
Interest expense	<u>(2,671)</u>
Net nonoperating revenues	<u>63,473</u>
Increase in net assets	11,574
Net assets—July 1, 2010	<u>80,740</u>
Net assets—June 30, 2011	<u>\$ 92,314</u>

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2011 (In Thousands)	
U.S. Department of Education	\$20,699
U.S. Department of Labor	838
Other	<u>273</u>
Total federal expenditures	<u>\$21,810</u>

TO OBTAIN
MORE INFORMATION

The District's Single
Audit Report
is available at:
www.azauditor.gov

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Year Ended June 30, 2011