

**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, 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. However for the Student Financial Assistance (SFA) cluster and the Child Care and Development Block Grant (CDBG) program, the District failed to comply with certain federal requirements. The findings resulted in a reportable condition and immaterial noncompliance for the SFA cluster, and material internal control weaknesses and material noncompliance for the CDBG program.



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)**

	<u>2004</u>	<u>2003</u>
Assets		
Current	\$11,060	\$ 7,015
Noncurrent assets, other than capital assets	7,561	2,770
Capital assets, net of depreciation	<u>32,215</u>	<u>33,047</u>
Total assets	<u>50,836</u>	<u>42,832</u>
Liabilities		
Current	4,315	4,465
Noncurrent	<u>22,295</u>	<u>17,272</u>
Total liabilities	<u>26,610</u>	<u>21,737</u>
Net Assets		
Invested in capital assets, net of related debt	14,544	15,022
Restricted	3,077	2,662
Unrestricted	<u>6,605</u>	<u>3,411</u>
Total net assets	<u>\$24,226</u>	<u>\$21,095</u>

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

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Tuition and fees	\$ 3,551	\$ 3,031
Government grants and contracts	6,022	5,909
Other	<u>1,773</u>	<u>1,592</u>
Total operating revenues	<u>11,346</u>	<u>10,532</u>
Nonoperating Revenues		
Property taxes	21,315	18,433
State appropriations	5,660	5,624
Other	<u>659</u>	<u>553</u>
Total nonoperating revenues	<u>27,634</u>	<u>24,610</u>
Capital appropriations	658	694
Capital grants and gifts	<u>22</u>	<u>0</u>
Total revenues	<u>\$39,660</u>	<u>\$35,836</u>
Operating Expenses		
Educational and general	\$ 30,996	\$ 28,814
Auxiliary enterprises	1,816	1,869
Depreciation	<u>2,132</u>	<u>1,975</u>
Total operating expenses	<u>34,944</u>	<u>32,658</u>
Nonoperating Expenses		
Interest expense	1,093	932
Other	<u>491</u>	<u>0</u>
Total nonoperating expenses	<u>1,584</u>	<u>932</u>
Total expenses	<u>\$ 36,528</u>	<u>\$ 33,590</u>

**The District Incorrectly Calculated
 Federal Financial Assistance Awards**

The District included open entry/open exit courses when calculating financial assistance awards to students. Open entry/open exit courses should not be included in the student financial aid calculation as these classes do not qualify for federal financial assistance funding because students complete the classes when objectives are achieved versus class attendance over an established period. Therefore, these classes do not conform to any federal financial assistance funding formulas. Auditors noted that 151 of the 1,414 students who were given federal financial assistance awards during fiscal year

2004 were enrolled in at least one open entry/open exit course. As a result, the District would have to repay to the federal government that portion of the federal financial assistance awards made to students enrolled in open entry/open exit classes if they were not enrolled in a sufficient number of other credit courses justifying the assistance awarded. Auditors noted questioned costs of \$6,325 for sampled students tested that were enrolled in open entry/open exit classes. This finding was considered a reportable condition and immaterial noncompliance for the Student Financial Assistance Cluster.

The District Had Material Noncompliance in Its Child Care and Development Block Grant

The District did not establish adequate policies and procedures to ensure compliance with the allowable costs/cost principles and special tests and provisions requirements for the Child Care and Development Block Grant program. Auditors noted the following material noncompliance with these requirements:

- The District did not comply with the requirements of Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, when charging expenditures to the program. The intergovernmental agreement with the Arizona Department of Economic Security required that expenditures charged to the program be in compliance with this federal
- The District did not maintain adequate documentation to determine and support that participants enrolled in open entry/open exit Early Child Development courses achieved course competency objectives. The intergovernmental agreement with the Arizona Department of Economic Security required that course participants achieve competency objectives. Auditors were unable to determine the amount of a questioned cost resulting from this noncompliance.

These instances of noncompliance were also considered material internal control weaknesses.

TO OBTAIN MORE INFORMATION

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



or by visiting our Web site at:
www.auditorgen.state.az.us

Contact person for this report:
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The District Spent More Than \$5.8 Million of Federal Monies

The District expended more than \$5.8 million from 21 federal programs during fiscal year 2004. Under the guidelines established by the Single Audit Act, auditors tested the following programs:

Financial Assistance Program Cluster:

- Federal Supplemental Educational Opportunity Grants
- Federal Work-Study Program
- Federal Pell Grant Program

Child Care and Development Block Grant

Major federal programs tested represented 65 percent of the District's fiscal year 2004 federal expenditures.

The Single Audit Fact Sheet

- No weaknesses in financial reporting were noted.
- Three internal control weaknesses were noted for four federal programs tested. Two of these weaknesses pertaining to one program were considered to be material weaknesses.
- Three federal compliance violations were noted for four federal programs tested. Two of these weaknesses pertaining to one program were considered to be material noncompliance.
- Program-questioned costs totaling \$43,092 were noted as a result of our audit.

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Year Ended June 30, 2004