

**REPORT
HIGHLIGHTS**
SINGLE AUDIT

**Condensed Financial
Information**

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, 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 1 of 4 federal programs tested, the District failed to maintain adequate internal control and comply with federal matching requirements. The auditors reported a material control weakness and material noncompliance for that program. See page two for further information.



2003

Year Ended June 30, 2003

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 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 to the right presents a condensed Statement of Net Assets for the year ended June 30, 2003.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the District's operating results, as well as nonoperating revenues and expenses. Revenues and expenses are classified as operating if they relate to the District's primary activities, such as instruction and public service. All other revenues and expenses, such as state appropriations, property tax revenues, and interest paid on capital debt, are considered nonoperating with one exception. Capital appropriations are reported separately following nonoperating revenues and expenses. The summary to the right presents the District's revenues and expenses for the year ended June 30, 2003.

Statement of Net Assets
As of June 30, 2003
(In Thousands)

Assets	
Current	\$ 7,015
Noncurrent, other than capital	2,770
Capital	<u>33,047</u>
Total assets	<u>42,832</u>
Liabilities	
Current	4,465
Noncurrent	<u>17,272</u>
Total liabilities	<u>21,737</u>
Net Assets	
Invested in capital assets, net of related debt	15,022
Restricted	2,662
Unrestricted	<u>3,411</u>
Total net assets	<u>\$21,095</u>

Revenues and Expenses
For the Year Ended June 30, 2003
(In Thousands)

Operating Revenues	
Tuition and fees	\$ 3,031
Grants and contracts	6,072
Other operating revenues	<u>1,429</u>
Total operating revenues	<u>10,532</u>
Nonoperating Revenues	
Property taxes	18,433
State appropriations	5,624
Other	<u>553</u>
Total nonoperating revenues	<u>24,610</u>
Capital appropriations	694
Total revenues	<u>\$35,836</u>
Operating Expenses	
Educational and general	\$28,814
Auxiliary enterprises	1,869
Depreciation	<u>1,975</u>
Total operating expenses	<u>32,658</u>
Nonoperating Expenses	
Interest expense on debt	<u>932</u>
Total expenses	<u>\$33,590</u>

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.

Cash Flows For the Year Ended June 30, 2003 (In Thousands)	
Cash Flows from	
Operating activities	\$(19,750)
Noncapital financing activities	23,912
Capital and related financing activities	(2,814)
Investing activities	39
Net increase in cash	<u>\$ 1,387</u>

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



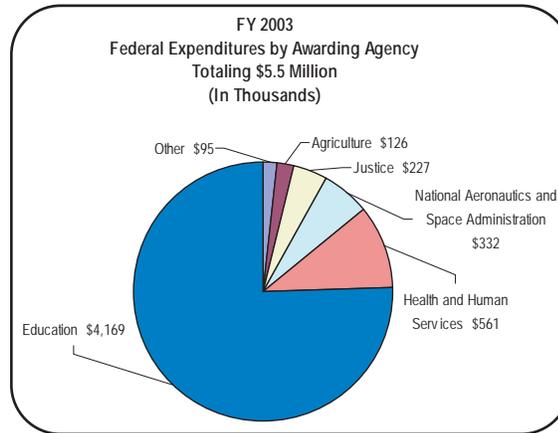
or by visiting our Web site at:
www.auditorgen.state.az.us

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The District Experienced Almost No Change in Federal Award Expenditures

The District's federal expenditures have remained relatively constant over the past 2 years. The District had \$5.4 million in expenditures in fiscal year 2002, and \$5.5 million in 2003.

The District received federal funding from seven different federal agencies in fiscal year 2003 and the amounts expended by federal agency are illustrated in the figure to the right.



The District Needs To Meet Federal Matching Requirements

The District failed to meet the 50 percent matching requirement for the Preparing Tomorrow's Teachers to Use Technology program during the grant award period October 1, 1999 through June 30, 2003. The District had only provided \$841,526 of the required \$972,395 matching monies for this program, resulting in material noncompliance with program requirements and a questioned cost of \$130,869.

The Single Audit Fact Sheet

- No material weaknesses in financial reporting internal controls
- One material weakness in federal compliance internal controls.
- One material instance of noncompliance with federal program requirements.
- Program costs totaling \$130,869 that were questioned as a result of our audit.

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Year Ended June 30, 2003