



## REPORT HIGHLIGHTS SINGLE AUDIT

### Subject

Graham 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. However, auditors identified a material weakness in internal control over compliance and material noncompliance with federal program requirements, which is summarized on this page.



2011

Year Ended June 30, 2011

## Summary of Audit Findings

For the federal compliance audit, auditors tested three federal programs under the guidelines established by the Single Audit Act and noted a material internal control weakness and material noncompliance with the procurement and suspension and debarment compliance requirements for two of the programs. The Single Audit Report includes further details and auditor recommendations. The finding is summarized below.

### Federal Award Finding—

**Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors and Fund for the Improvement of Postsecondary Education**—The District used other governmental entities' contracts to purchase \$68,190 of equipment for these two programs. However, the District had not established due diligence procedures to verify that the

other entity used purchasing policies and procedures that were consistent with the District's and that the vendor was providing equitable pricing by performing price analyses. In addition, the District had not established policies and procedures to verify and did not verify that vendors providing goods and services paid with federal monies had not been suspended or debarred, or otherwise excluded, from federal contracts.

## Summary of Financial Information

A condensed summary of the District's basic financial statements and Schedule of Expenditures of Federal Awards follows:

**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 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 \$3.4 million during the fiscal year.

**Schedule of Expenditures of Federal Awards**—The District's operating expenses included \$9.1 million in federal awards. The District's expenditures of federal award monies increased by \$1.2 million during the fiscal year. The increase was primarily due to \$1.5 million of additional funding for the Federal Pell Grant Program within the Student Financial Assistance Cluster.

Condensed Statement of Net Assets June 30, 2011 (In Thousands)	
<b>Assets:</b>	
Current	\$42,858
Capital	38,798
Total assets	81,656
<b>Liabilities:</b>	
Current	1,906
Noncurrent	1,438
Total liabilities	3,344
<b>Net Assets:</b>	
Invested in capital assets	38,798
Restricted	1,614
Unrestricted	37,900
Total net assets	\$78,312

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2011 (In Thousands)	
<b>Operating revenues:</b>	
Tuition and fees	\$ 3,196
Contracts	4,971
Other	978
Total operating revenues	9,145
<b>Operating expenses:</b>	
Educational and general	37,196
Auxiliary enterprises	2,661
Depreciation	1,748
Total operating expenses	41,605
Operating loss	(32,460)
<b>Nonoperating revenues:</b>	
Property taxes	4,558
State appropriations	21,709
Government grants	9,142
Other	481
Total nonoperating revenues	35,890
Increase in net assets	3,430
Net assets—July 1, 2010	74,882
Net assets—June 30, 2011	\$78,312

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2011 (In Thousands)	
U.S. Department of Education	\$8,796
U.S. Department of Labor	136
U.S. Small Business Administration	117
National Science Foundation	18
U.S. Department of Agriculture	4
Total federal expenditures	\$9,071

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MORE INFORMATION

A copy of the  
Single Audit report  
is available at:  
[www.azauditor.gov](http://www.azauditor.gov)

Contact person:  
Tara Erickson  
(602) 553-0333

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HIGHLIGHTS  
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Year Ended June 30, 2011