



# Maricopa County Community College District

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Maricopa 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 reports 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 2012 financial statements and schedule of federal awards is reliable. Our reports identified internal control deficiencies and instances of noncompliance over major programs. These findings are summarized on the next page.



# 2012

Year Ended June 30, 2012

## Condensed financial information

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

**Statement of revenues, expenses, and changes in net assets**—This statement reports all revenues, expenses, and other changes in net assets. The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of the current-year activities. During fiscal year 2012, net assets increased by \$48.2 million, or 6 percent, as compared to an increase of \$104 million, or 16 percent, in fiscal year 2011.

**Schedule of expenditures of federal awards**—During fiscal year 2012, the District expended nearly \$433 million in federal awards, which consisted primarily of student financial assistance. This included \$215 million that was spent as educational and general operating expenses and \$218 million that was disbursed as loans to students. The District's federal award expenditures increased by \$41 million, or 9 percent, compared to fiscal year 2011.

### Condensed statement of net assets As of June 30, 2012 (In thousands)

<b>Assets</b>	
Current	\$ 527,750
Noncurrent, other than capital	310,197
Capital assets, net of depreciation	754,325
Total assets	<u>1,592,272</u>
<b>Liabilities</b>	
Current	126,098
Noncurrent	<u>654,344</u>
Total liabilities	<u>780,442</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	246,511
Restricted	135,519
Unrestricted	<u>429,800</u>
Total net assets	<u>\$ 811,830</u>

### Condensed statement of revenues, expenses, and changes in net assets For the year ended June 30, 2012 (In thousands)

<b>Operating revenues</b>	
Tuition and fees, net of scholarship allowances	\$ 150,443
Other	<u>14,144</u>
Total operating revenues	<u>164,587</u>
<b>Operating expenses</b>	
Educational and general	724,274
Auxiliary enterprises	50,419
Depreciation	<u>39,047</u>
Total operating expenses	<u>813,740</u>
Operating loss	(649,153)
<b>Nonoperating revenues and expenses</b>	
Property taxes	466,813
State appropriations	6,891
Government grants	222,604
Other	24,237
Nonoperating expenses	<u>(23,942)</u>
Net nonoperating revenues	<u>696,603</u>
Capital grants and gifts	<u>776</u>
Increase in net assets	48,226
Net assets—beginning	<u>763,604</u>
Net assets—ending	<u>\$ 811,830</u>

### Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2012 (In thousands)

U.S. Department of Education	\$425,625
Other	<u>7,301</u>
Total federal expenditures	<u>\$432,926</u>

## Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's information system and financial statement preparation. For the federal compliance audit, we tested ten 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 5 of its programs. Our Report on Internal Control and Compliance over financial reporting and our Single Audit Report over federal programs contain further details to help the District correct these deficiencies. The most significant findings and recommendations are summarized below.

### Financial statement classification error

The District did not follow its policies and procedures when classifying its investments on the financial statements. Specifically, the District classified investments based solely on the maturity date at fiscal year-end rather than based on the three required factors: acquisition date, maturity date, and purpose of the investments. As a result, the investments were misclassified as cash equivalents. The effect was cash and cash equivalents were overstated by \$79 million and investments were understated by \$79 million on the financial statements. The District corrected the misclassification before the financial statements were issued.

#### Recommendation

To ensure investments and cash are properly reported on its financial statements, the District should follow generally accepted accounting standards and its current policies and procedures when compiling its financial statements and note disclosures.

### Noncompliance with federal program requirements

- The District's Colleges did not consistently follow policies and procedures when awarding scholarships for the Education and Human Resources and National Nuclear Security Administration Minority Servicing Institutions federal programs. Specifically, documentation of eligibility determinations was not always retained.
- In addition, the District did not follow its policies and procedures when determining expenditure amounts that it included in the Higher Education—Institutional Aid programs performance reports. The U.S. Department of Education (Department) uses these reports to verify program requirements are met and whether any unused awards are eligible to be used the following year. Therefore, the Department may not be able to properly monitor the District's performance over these programs.

#### Recommendations

To improve the controls over the District's federal programs and help ensure compliance with federal requirements, the District should:

- Retain documentation supporting a student's eligibility to receive a scholarship.
- Review its performance reports to ensure the reports are accurate and complete.