



Cochise County Community College District

REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Cochise 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 opinions on the District's financial statements and schedule of expenditures of federal awards and issued reports on its internal control and compliance over financial reporting and major federal programs. The information in the District's fiscal year 2015 financial statements and schedule of expenditures of federal awards is reliable. Our Office identified an internal control weakness and instance of noncompliance over the District's major federal programs. This finding is summarized on the next page.



2015

Year Ended June 30, 2015

Condensed financial information

Statement of net position—This statement reports all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in property, buildings, and equipment.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the remaining net position balance after the net investment in capital assets and restricted balances have been allocated. The balance was negative at June 30, 2015, because the District implemented new pension accounting standards. Additional information on these new standards is included on the next page.

Statement of revenues, expenses, and changes in net position—This statement reports all revenues, expenses, and other changes in net position. Revenues and expenses are reported as either operating or nonoperating. The change in net position indicates whether the District's financial health has improved or deteriorated as a result of current-year activities. Net position increased by \$7 million, or 26.8 percent, in fiscal year 2015.

Schedule of expenditures of federal awards—During fiscal year 2015, the District expended nearly \$10.5 million in federal awards, which consisted primarily of student financial assistance. This included \$8.4 million that was spent as educational and general operating expenses and \$2.1 million in loans disbursed to students. The District's federal award expenditures increased by \$1.1 million, or 11.9 percent, compared to fiscal year 2014.

Condensed statement of net position As of June 30, 2015 (In thousands)

Assets	
Current assets	\$ 27,494
Noncurrent, other than capital	1,539
Capital assets, net of depreciation	<u>62,370</u>
Total assets	<u>91,403</u>
Deferred outflows of resources	
	<u>3,645</u>
Liabilities	
Net pension liability	30,415
Long-term debt	20,385
Other liabilities	<u>5,275</u>
Total liabilities	<u>56,075</u>
Deferred inflows of resources	
	<u>5,446</u>
Net position	
Net investment in capital assets	41,985
Restricted	2,526
Unrestricted (deficit)	<u>(10,984)</u>
Total net position	<u>\$ 33,527</u>

Condensed statement of revenues, expenses, and changes in net position For the year ended June 30, 2015 (In thousands)

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 5,819
Other	<u>2,351</u>
Total operating revenues	<u>8,170</u>
Operating expenses	
Educational and general	41,350
Auxiliary enterprises	923
Depreciation	<u>3,286</u>
Total operating expenses	<u>45,559</u>
Operating loss	(37,389)
Nonoperating revenues and expenses	
Property taxes	19,292
State appropriations	10,327
Government grants	9,982
Other	1,284
Interest expense	<u>(937)</u>
Net nonoperating revenues	<u>39,948</u>
Capital grants and gifts	4,523
Increase in net position	7,082
Net position—beginning, restated	<u>26,445</u>
Net position—ending	<u>\$ 33,527</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2015 (In thousands)

Department of Education	\$ 9,992
Other	<u>480</u>
Total federal expenditures	<u>\$10,472</u>

Significant pension reporting changes in fiscal year 2015

The Governmental Accounting Standards Board (GASB) issued new pension accounting standards for all state and local governments that resulted in significant reporting changes starting in fiscal year 2015. The District is required to follow these new standards because its employees are members in the Arizona State Retirement System defined benefit pension plan. The new GASB standards are designed to increase the transparency, consistency, and comparability of pension information across governments. In addition, they require all governments to report more robust pension information, including their share of any unfunded, or net, pension liability, which was \$30.4 million for the District at June 30, 2015. The net pension liability is calculated by subtracting the pension plan's assets from the estimated pension obligations and means that the assets are less than estimated pension obligations. This liability reduced the District's unrestricted net position.

It is important to note that the new reporting requirements will not change the actual cost of providing pension benefits. As they always have, the District and its participating employees will continue to pay their required contributions to cover the estimated pension benefits. The District's contributions were \$2.1 million in fiscal year 2015.

Summary of audit finding and recommendation

For the financial statement audit, we reported no internal control weaknesses or instances of noncompliance. For the federal compliance audit, we tested two federal programs under the major program guidelines established by the Single Audit Act and found that the District did not always have adequate internal controls and did not always comply with federal program requirements for one of its major programs. Our Single Audit Report includes a Schedule of Findings and Questioned Costs that contains further details to help the District correct the internal control weakness summarized below.

District failed to comply with student financial assistance federal program requirements

For the Student Financial Assistance federal program cluster, the District did not have adequate policies and procedures to sufficiently report changes in students' enrollment status to ensure that the National Student Loan Data System (NSLDS) was always accurate and up to date.

Recommendation

To help ensure compliance with federal requirements, the District should develop and implement policies and procedures to ensure that changes in students' enrollment status are reported accurately and timely to the NSLDS.