



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 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 expenditures of federal awards is reliable. Our reports identified internal control deficiencies and an instance of noncompliance over a major federal program. 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 assets, liabilities, and net assets. 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 donors and 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 financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2012, net assets increased by \$2.6 million, or 5 percent, as compared to an increase of \$4.2 million, or 9 percent, in fiscal year 2011.

Schedule of expenditures of federal awards—During fiscal year 2012, the District expended \$9.8 million in federal awards, which included \$8.1 million that was spent as educational and general operating expenses and \$1.7 million that was disbursed as loans to students. The District's federal award expenditures decreased by \$1.6 million, or 13.8 percent, compared to fiscal year 2011.

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

Assets	
Current assets	\$24,821
Noncurrent, other than capital	1,483
Capital assets, net of depreciation	57,965
Total assets	<u>84,269</u>
Liabilities	
Current	4,350
Noncurrent	24,292
Total liabilities	<u>28,642</u>
Net assets	
Invested in capital assets, net of related debt	34,555
Restricted	4,082
Unrestricted	16,990
Total net assets	<u>\$55,627</u>

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

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 5,896
Government contracts	265
Other	1,372
Total operating revenues	<u>7,533</u>
Operating expenses	
Educational and general	40,577
Auxiliary enterprises	1,045
Depreciation	3,062
Total operating expenses	<u>44,684</u>
Operating loss	(37,151)
Nonoperating revenues	
Property taxes	17,320
State appropriations	13,621
Government grants	8,710
Other	146
Net nonoperating revenues	<u>39,797</u>
Increase in net assets	2,646
Net assets—beginning	<u>52,981</u>
Net assets—ending	<u>\$55,627</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	\$9,425
U.S. Department of Labor	134
U.S. Small Business Administration	124
National Science Foundation	81
National Endowment for the Arts	10
Total federal expenditures	<u>\$9,774</u>

Summary of audit findings and recommendations

For the financial statement audit, we found internal control deficiencies over the District's information system access, capital assets management, and financial statement preparation. For the federal compliance audit, we tested two federal programs under the major program guidelines established by the Single Audit Act and noted that the District did not have adequate internal controls and did not comply with the federal program requirements for the Career and Technical Education—Basic Grants to States program. The Single Audit Reporting Package, which includes the auditors' reports on internal control and compliance over financial reporting and federal compliance and a Schedule of Findings and Questioned Costs, contains further details to help the District correct these deficiencies and noncompliance. The most significant findings and recommendations are summarized below.

Inadequate capital asset internal controls

The District did not have adequate procedures for controlling, safeguarding, and reporting capital assets. Specifically, the District did not ensure that purchases and disposals of capital assets were properly recorded in its accounting records and accurately reported in the financial statements. Consequently, the District corrected the financial statements for over \$34,000 of misstatements noted by the auditors. In addition, the District had not performed a capital assets inventory for more than 5 years and did not always properly tag capital asset items.

Noncompliance with federal program requirements

During fiscal year 2012, for the Career and Technical Education—Basic Grants to States federal program, the District did not maintain accountability for the program's equipment. Specifically, the District had not performed a physical inventory of the program's equipment for more than 5 years, and the equipment items generally were not tagged or otherwise specifically identified. Equipment purchases comprised 48 percent of fiscal year 2012 program expenditures.

Recommendations

To improve controls over its capital assets and help ensure compliance with federal program requirements, the District should:

- Develop and implement written policies and procedures for tracking, recording, and reporting capital assets.
- Ensure that all capital assets are tagged when acquired.
- Dedicate sufficient resources to perform a physical inventory of all capital assets, including assets purchased with federal monies, at least every 2 years and reconcile the inventory results to the District's capital assets listing.