

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 a report 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 2013 financial statements and schedule of federal awards is reliable. Our reports identified three internal control deficiencies over financial reporting. Our findings are summarized on the next page.



2013

Year Ended June 30, 2013

Condensed financial information

Statement of net position—This statement reports all of the District's assets, deferred outflows and inflows of resources, liabilities, 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 resources available for general operations.

Statement of revenues, expenses, and changes in net position—This statement reports all revenues, expenses, and other changes in net position. The change in net position indicates whether the District's financial health has improved or deteriorated as a result of the current-year activities. During fiscal year 2013, net position increased by \$1.5 million, or nearly 3 percent, as compared to an increase of \$2.6 million, or 5 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the District expended approximately \$8.8 million in federal awards, which included \$7.2 million that was spent as educational and general operating expenses and \$1.6 million that was disbursed as loans to students. The District's federal award expenditures decreased by \$1 million, or 11 percent, compared to fiscal year 2012.

Condensed statement of net position As of June 30, 2013 (In thousands)

Assets	
Current assets	\$25,129
Noncurrent, other than capital	1,645
Capital assets, net of depreciation	58,855
Total assets	<u>85,629</u>
Liabilities	
Current	5,163
Noncurrent	23,295
Total liabilities	<u>28,458</u>
Net position	
Net investment in capital assets	36,416
Restricted	1,915
Unrestricted	18,840
Total net position	<u>\$57,171</u>

Condensed statement of revenues, expenses, and changes in net position For the year ended June 30, 2013 (In thousands)

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 4,146
Other	1,739
Total operating revenues	<u>5,885</u>
Operating expenses	
Educational and general	38,366
Auxiliary enterprises	1,053
Depreciation	3,215
Total expenses	<u>42,634</u>
Operating loss	(36,749)
Nonoperating revenues and expenses	
Property taxes	17,901
State appropriations	11,399
Government grants	8,946
Other	1,063
Interest expense	(1,016)
Net nonoperating revenues	<u>38,293</u>
Increase in net position	1,544
Net position—beginning	55,627
Net position—ending	<u>\$57,171</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2013 (In thousands)

U.S. Department of Education	\$8,143
Other	661
Total federal expenditures	<u>\$8,804</u>

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's information systems, 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 reported no deficiencies in internal control or instances of noncompliance over federal programs. Our Single Audit Report includes a Schedule of Findings and Questioned Costs that contains further details to help the District correct these deficiencies. The most significant finding and recommendation is summarized below.

Inadequate system access controls

The District lacked adequate internal controls over its information systems to ensure that users' access rights were periodically reviewed or that system logs were monitored for unusual or suspicious activity. As a result, there was an increased risk of unauthorized use, manipulation, or misuse of financial, sensitive, or confidential information by users whose access was not adequately restricted and monitored.

Recommendation

The District should adopt and implement policies and procedures requiring a periodic review of user access rights and regular monitoring of system access logs for unusual or suspicious activity to help protect its important financial and other sensitive information.