



# Graham County Community College District

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Graham 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 is reliable. Our Office identified an internal control weakness and instance of noncompliance over one of 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 allocating the net investment in capital assets and restricted balances. The balance was negative at June 30, 2015, because the District implemented new pension accounting standards. Additional information on the implementation of 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 financial health has improved or deteriorated as a result of the current-year activities. Net position decreased by nearly \$4.6 million, or 11 percent, in fiscal year 2015.

**Schedule of expenditures of federal awards**—During fiscal year 2015, the District expended approximately \$6.5 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures increased by approximately \$178,000, or 2.8 percent, compared to fiscal year 2014.

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

<b>Assets</b>	
Current assets	\$ 38,785
Capital assets, net of depreciation	37,641
Total assets	<u>76,426</u>
<b>Deferred outflows of resources</b>	<u>3,876</u>
<b>Liabilities</b>	
Net pension liability	30,172
Other liabilities	<u>6,383</u>
Total liabilities	<u>36,555</u>
<b>Deferred inflows of resources</b>	<u>5,276</u>
<b>Net position</b>	
Net investment in capital assets	37,641
Restricted	2,364
Unrestricted	<u>(1,534)</u>
Total net position	<u>\$ 38,471</u>

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

<b>Operating revenues</b>	
Tuition and fees, net of scholarship allowances	\$ 2,932
Government grants	5,289
Other	<u>935</u>
Total operating revenues	<u>9,156</u>
<b>Operating expenses</b>	
Educational and general	39,683
Auxiliary enterprises	2,714
Depreciation	<u>2,075</u>
Total operating expenses	<u>44,472</u>
Operating loss	(35,316)
<b>Nonoperating revenues</b>	
Property taxes	5,537
State appropriations	17,927
Government grants	6,662
Other	<u>632</u>
Total nonoperating revenues	<u>30,758</u>
Decrease in net position	(4,558)
Net position—beginning, as restated	<u>43,029</u>
Net position—ending	<u>\$ 38,471</u>

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

Department of Education	\$6,227
Department of Labor	135
Other	<u>176</u>
Total federal expenditures	<u>\$6,538</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 \$30.2 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 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 Federal Pell Grant Program, 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 up to date and accurate.

#### Recommendation

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