



# Mohave County Community College District

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Mohave 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 internal control weaknesses over financial reporting. The most significant findings are 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 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 increased by nearly \$2.8 million, or 17.9 percent, in fiscal year 2015.

**Schedule of expenditures of federal awards**—During fiscal year 2015, the District expended nearly \$14 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures decreased by \$3.1 million, or 18 percent, compared to fiscal year 2014.

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

<b>Assets</b>	
Current assets	\$ 17,381
Capital assets, net of depreciation	20,563
Total assets	<u>37,944</u>
<b>Deferred outflows of resources</b>	<u>2,622</u>
<b>Liabilities</b>	
Current liabilities	1,977
Net pension liability	22,323
Other liabilities	175
Total liabilities	<u>24,475</u>
<b>Deferred inflows of resources</b>	<u>4,984</u>
<b>Net position</b>	
Net investment in capital assets	19,789
Restricted	589
Unrestricted	<u>(9,271)</u>
Total net position	<u>\$ 11,107</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	\$ 4,906
Other	822
Total operating revenues	<u>5,728</u>
<b>Operating expenses</b>	
Educational and general	32,344
Auxiliary enterprises	362
Depreciation	1,530
Total operating expenses	<u>34,236</u>
Operating loss	(28,508)
<b>Nonoperating revenues and expenses</b>	
Property taxes	20,954
Government grants	8,090
State appropriations	2,137
Other revenues	553
Nonoperating expenses	(459)
Net nonoperating revenues	<u>31,275</u>
Increase in net position	2,767
Net position—beginning, as restated	8,340
Net position—ending	<u>\$ 11,107</u>

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

Department of Education	\$13,809
Other	<u>90</u>
Total federal expenditures	<u>\$13,899</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 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 \$22.3 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 \$1.5 million in fiscal year 2015.

## Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's financial reporting and its information technology (IT) resources. For the federal compliance audit, we tested one federal program under the major program guidelines established by the Single Audit Act and reported no weaknesses in internal control or instances of noncompliance over the federal program. Our Single Audit report includes a Schedule of Findings and Questioned Costs that contains further details to help the District correct the internal control weaknesses summarized below.

### Inadequate policies and procedures over information technology resources

The District's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, the District lacked effective policies and procedures over IT security, access, change management, and disaster recovery. IT security weaknesses included not performing a district-wide IT security risk assessment, not categorizing and protecting its sensitive information, and not keeping IT personnel trained on security risks and processes. IT access weaknesses included not ensuring access was needed and compatible with employees' job responsibilities. Change management weaknesses included not documenting test procedures, results, and approvals for changes to its IT systems. Finally, disaster recovery weaknesses included not having a comprehensive up-to-date disaster recovery plan to provide for the continuity of operations in the event of disaster, system or equipment failure, or other interruption.

### Recommendations

The District should develop and implement policies and procedures over its IT resources that include the following:

- Performing a district-wide security risk assessment.
- Identifying, categorizing, and protecting sensitive information.
- Training IT personnel on security risks and processes.
- Performing a periodic and comprehensive review of all existing employee access accounts.
- Documenting all tests performed, test results, and approvals for changes made to IT resources.
- Updating the disaster recovery plan to include all key elements.