



REPORT HIGHLIGHTS
FINANCIAL STATEMENT AND
SINGLE AUDITS

Our Conclusion

Navajo 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 2013 financial statements and schedule of federal awards is reliable. Our reports identified internal control deficiencies and instances of noncompliance over financial reporting and major federal programs. These 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 the following 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 \$4.5 million, or 6 percent, as compared to an increase of \$5.7 million, or 9 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the District expended \$4.7 million in federal awards, which consisted primarily of student financial assistance that was spent as educational and general operating expenses. The District's federal award expenditures decreased by \$73,000, or 2 percent, compared to fiscal year 2012.

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

Assets	
Current assets	\$39,409
Noncurrent, other than capital	799
Capital assets, net of depreciation	<u>38,701</u>
Total assets	<u>78,909</u>
Liabilities	
Current	2,056
Noncurrent	<u>152</u>
Total liabilities	<u>2,208</u>
Net position	
Net investment in capital assets	38,627
Restricted	691
Unrestricted	<u>37,383</u>
Total net position	<u>\$76,701</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	\$ 2,467
Government contracts	2,969
Other	<u>748</u>
Total operating revenues	<u>6,184</u>
Operating expenses	
Educational and general	25,636
Auxiliary enterprises	451
Depreciation	<u>1,544</u>
Total expenses	<u>27,631</u>
Operating loss	(21,447)
Nonoperating	
Property taxes	13,180
State appropriations	7,060
Government grants	5,018
Other	<u>735</u>
Net nonoperating revenues	<u>25,993</u>
Increase in net position	4,546
Net position—beginning	<u>72,155</u>
Net position—ending	<u>\$76,701</u>

**Condensed schedule of expenditures
of federal awards by grantor agency
Year ended June 30, 2013
(In thousands)**

U.S. Department of Education	\$4,066
U.S. Department of Labor	540
U.S. Small Business Administration	<u>126</u>
Total federal expenditures	<u>\$4,732</u>

Summary of audit findings and recommendations

For the financial statement audit, we found an internal control weakness over the District's information systems and an instance of noncompliance with laws and regulations. For the federal compliance audit, we tested four federal programs under the major program guidelines established by the Single Audit Act and noted that the District did not always have adequate internal controls and did not always comply with federal program requirements for two of its 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 findings and recommendations are summarized below.

Inadequate system access controls

The District lacked adequate internal controls over its information systems to ensure that users' access rights were appropriate for their job responsibilities and that activity of system users with elevated access was monitored. As a result, there was an increased risk of theft, manipulation, or misuse of financial, sensitive, or confidential information by users whose access was not adequately restricted or monitored.

Recommendation

The District should restrict access to its information systems to help ensure that access granted is needed and is compatible with job responsibilities. Furthermore, the activity of system users with elevated access should be monitored for propriety.

Noncompliance with federal program requirements

- The District did not always maintain complete and accurate records for equipment purchased for the Higher Education—Institutional Aid program. Specifically, the District's capital assets listing did not always contain an identifying number or accurate location information, and the District did not always tag its equipment as required by its own procedures.
- Between July 2012 and December 2012, the District did not certify that employee compensation charged to the Adult Education—Basic Grants to States program represented the employees' actual time and effort spent on the program. Beginning in January 2013, the District implemented procedures to require its employees paid with federal grant monies to certify the percentage of time they worked on a specific program. The District is also maintaining these certification documents as required.

Recommendations

To improve the controls over the District's federal programs and ensure compliance with federal requirements, the District should:

- Ensure that its policies for tagging equipment and maintaining an accurate and complete capital assets listing are followed.
- Continue to require its employees paid with federal grant monies to certify the percentage of time they worked on a specific program.