

Yavapai County Community College District

REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Yavapai 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 an internal control weaknesses over financial reporting and internal control weaknesses and an instance of noncompliance over major federal programs. The most significant 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 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 current-year activities. Net position increased by \$11.8 million, or 15 percent, in fiscal year 2015.

Schedule of expenditures of federal awards—During fiscal year 2015, the District expended more than \$18.9 million in federal awards, which consisted primarily of student financial assistance, that was spent as education and general operating expenses. The District's federal award expenditures decreased by \$1.6 million, or 8 percent, compared to fiscal year 2014.

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

Assets	
Current assets	\$ 28,084
Noncurrent, other than capital	275
Capital assets, net of depreciation	144,928
Total assets	173,287
Deferred outflows of resources	4,974
Liabilities	
Long-term debt	45,089
Net pension liability	29,125
Other liabilities	9,706
Total liabilities	83,920
Deferred inflows of resources	5,416
Net position	
Net investment in capital assets	97,808
Restricted	1,864
Unrestricted (deficit)	(10,747)
Total net position	\$ 88,925

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

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 8,930
Other	2,231
Total operating revenues	11,161
Operating expenses	
Educational and general	52,736
Auxiliary enterprises	1,753
Depreciation	5,731
Total operating expenses	60,220
Operating loss	(49,059)
Nonoperating revenues (expenses)	
Property taxes	45,967
State appropriations	1,690
Government grants	12,611
Other revenues	1,827
Interest expense	(1,545)
Net nonoperating revenues (expenses)	60,550
Capital grants and gifts	309
Increase in net position	11,800
Net position—beginning, as restated	77,125
Net position—ending	\$ 88,925

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

Department of Education	\$ 18,192
Department of Labor	466
Department of Health and Human Services	118
Other	150
Total federal expenditures	\$ 18,926

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 \$29.1 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 recommendations

For the financial statement audit, we found internal control weaknesses over the District's information technology resources. 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 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 weaknesses and instances of noncompliance. The most significant finding is summarized below.

Inadequate policies and procedures over information technology (IT) resources

The District's IT resources, which include its network, infrastructure, and data, are vital to its daily operations. Although the District made significant progress to correct prior-year internal control weaknesses over its IT resources, the District still needs to correct weaknesses over monitoring and updating its access to its generic multiple-user accounts, reviewing changes made to its IT resources, and ensuring security controls are proper for employees' home computers used to access its network.

Recommendations

The District should update its IT policies and procedures to ensure that they effectively address the following:

- Properly monitoring and updating generic multiple-user account access.
- Reviewing changes to verify they were implemented as approved and followed the District's change management process.
- Ensuring security controls are proper for employee-owned home computers connecting to the District's IT resources.