

**REPORT HIGHLIGHTS**  
FINANCIAL STATEMENT AND  
SINGLE AUDITS

**Condensed financial information**

**Our Conclusion**

Yuma/La Paz Counties 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. These findings are summarized on the next page.



2015

Year Ended June 30, 2015

**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 the net investment in capital assets and restricted balances have been allocated. The balance is 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 to 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 remained stable, increasing by \$11,000, in fiscal year 2015.

**Schedule of expenditures of federal awards**—During fiscal year 2015, the District expended \$24.1 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 \$1.7 million, or 7 percent, compared to fiscal year 2014.

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

<b>Assets</b>	
Current assets	\$ 38,804
Noncurrent, other than capital	332
Capital assets, net of depreciation	<u>86,038</u>
Total assets	<u>125,174</u>
<b>Deferred outflows of resources</b>	
	<u>8,765</u>
<b>Liabilities</b>	
Long-term debt	65,050
Net pension liability	37,463
Other liabilities	<u>6,477</u>
Total liabilities	<u>108,990</u>
<b>Deferred inflows of resources</b>	
	<u>6,551</u>
<b>Net position</b>	
Net investment in capital assets	24,349
Restricted	5,627
Unrestricted (deficit)	<u>(11,578)</u>
Total net position	<u>\$ 18,398</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	\$ 3,903
Other	<u>3,345</u>
Total operating revenues	<u>7,248</u>
<b>Operating expenses</b>	
Educational and general	54,950
Auxiliary enterprises	5,019
Depreciation	<u>4,395</u>
Total operating expenses	<u>64,364</u>
Operating loss	(57,116)
<b>Nonoperating revenues and expenses</b>	
Property taxes	31,573
State appropriations	3,609
Government grants	23,399
Other	1,310
Interest expense	<u>(2,816)</u>
Net nonoperating revenues	<u>57,075</u>
<b>Capital additions</b>	
	52
Increase in net position	11
Net position—beginning, as restated	<u>18,387</u>
Net position—ending	<u>\$ 18,398</u>

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

Department of Education	\$23,570
Department of Labor	390
Other	<u>141</u>
Total federal expenditures	<u>\$24,101</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 \$37.5 million for the District at June 30, 2015. The net pension liability is calculated by subtracting the pension plans' 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 \$2.7 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 information technology (IT) resources. For the federal compliance audit, we tested three 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 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 its IT resources to sufficiently protect and manage access, including preventing, detecting, and responding to unauthorized access, and to track, document, and test IT resource changes. The District also lacked a comprehensive up-to-date disaster recovery plan to provide for the continuity of operations in the event of a disaster, system or equipment failure, or other interruption.

### Recommendations

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

- Reviewing all system generic and administrator access accounts to eliminate or minimize their use when possible.
- Identifying, classifying, and appropriately securing sensitive information and data.
- Logging and monitoring key user and system activities.
- Documenting, authorizing, testing, and approving IT resource changes prior to implementation.
- Identifying the recovery priority of key systems and procedures for moving operations to an alternate site in the event of a disaster, system or equipment failure, or other interruption.