



# 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 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 2014 financial statements and schedule of federal awards is reliable. Our Office identified internal control deficiencies over financial reporting. These findings are summarized on the next page.



# 2014

Year Ended June 30, 2014

## Condensed financial information

**Statement of net position**—This statement reports all of the District's assets, deferred outflows 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. Revenues and expenses are reported as either operating or non-operating. The change in net position indicates whether the District's financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2014, net position increased by \$11.1 million, or 11 percent, as compared to an increase of \$12.2 million, or 14 percent, in fiscal year 2013.

### Schedule of expenditures of federal awards

During fiscal year 2014, the District expended \$20.6 million in federal awards, which consisted primarily of student financial assistance. This includes \$13.3 million that was spent as education and general operating expenses and \$7.3 million that was disbursed as loans to student. The District's federal award expenditures decreased by \$100,000, or 0.5 percent, compared to fiscal year 2013.

### Condensed statement of net position As of June 30, 2014 (In thousands)

<b>Assets</b>	
Current assets	\$ 31,418
Noncurrent, other than capital	263
Capital assets, net	<u>134,918</u>
Total assets	<u>166,599</u>
<b>Deferred outflows of resources</b>	<u>1,686</u>
<b>Liabilities</b>	
Current	13,397
Noncurrent	<u>46,478</u>
Total liabilities	<u>59,875</u>
<b>Net position</b>	
Net investment in capital assets	86,472
Restricted	1,827
Unrestricted	<u>20,111</u>
Total net position	<u>\$108,410</u>

### Condensed statement of revenues, expenses, and changes in net position For the year ended June 30, 2014 (In thousands)

<b>Operating revenues</b>	
Tuition and fees, net of scholarship allowances	\$ 8,799
Other	<u>1,900</u>
Total operating revenues	<u>10,699</u>
<b>Operating expenses</b>	
Educational and general	52,499
Auxiliary enterprises	1,472
Depreciation	<u>5,780</u>
Total operating expenses	<u>59,751</u>
Operating loss	(49,052)
<b>Nonoperating revenues</b>	
Property taxes	45,571
State appropriations	894
Government grants	13,241
Other	<u>1,460</u>
Interest expense	(1,696)
Net nonoperating revenues	<u>59,470</u>
Capital additions	724
Increase in net position	11,142
Net position—beginning, as restated	<u>97,268</u>
Net position—ending	<u>\$108,410</u>

### Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2014 (In thousands)

Department of Education	\$ 19,705
Department of Labor	512
Department of Health and Human Services	137
Other	<u>202</u>
Total federal expenditures	<u>\$ 20,556</u>

## Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the District's information systems. 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 Report on Internal Control and Compliance contains further details to help the District correct the deficiencies. We have summarized the most significant deficiencies below.

### Inadequate information systems policies and procedures

The District's information technology (IT) systems, including its network, system software, and infrastructure, process and store information and data including sensitive and confidential information that is vital to its daily operations. However, the District lacked adequate policies and procedures to sufficiently protect its IT systems, including the sensitive system information and data. Specifically, the District did not have adequate procedures to periodically review employees' IT system access rights or remove them when employees terminated. As a result, the District allowed employees access to information that was not necessary for their job responsibilities and did not always remove employees' access immediately upon termination. Also, the District did not adequately log and monitor user activity on its IT systems, including activity on employee-owned electronic devices that connect to its IT systems. In addition, the District lacked procedures to ensure changes to its IT systems were authorized, tested, and reviewed prior to being implemented. Although we did not find any unauthorized breaches or manipulation of information and data, the District should implement adequate policies and procedures to help ensure its IT systems and data are protected.

#### Recommendation

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

- Performing a periodic and comprehensive review of all existing employee access rights to ensure that information system access is needed and compatible with employees' job responsibilities.
- Removing employees' network and information systems access immediately upon termination.
- Logging and monitoring key system and user activities.
- Monitoring employee-owned electronic devices that access the District's network and information systems.
- Documenting, authorizing, testing, and approving information system changes prior to implementation.