



# Coconino County Community College District

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Coconino 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 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 weakness over financial reporting. This 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 the net investment in capital assets and restricted balances have been allocated. The balance was reduced in fiscal year 2015 because of the District's implementation of new pension accounting standards. Additional information on the implementation of 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 \$3.3 million, or 18 percent in fiscal year 2015.

**Schedule of expenditures of federal awards**—During fiscal year 2015, the District expended nearly \$9 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 approximately \$300,000, or 3.1 percent, compared to fiscal year 2014.

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

<b>Assets</b>	
Current assets	\$21,684
Capital assets, net of depreciation	23,842
Total assets	45,526
<b>Deferred outflows of resources</b>	
	1,347
<b>Liabilities</b>	
Long-term debt	8,409
Net pension liability	11,748
Other liabilities	2,730
Total liabilities	22,887
<b>Deferred inflows of resources</b>	
	2,292
<b>Net position</b>	
Net investment in capital assets	16,067
Restricted	123
Unrestricted	5,504
Total net position	\$21,694

### 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	\$ 5,999
Other	508
Total operating revenues	6,507
<b>Operating expenses</b>	
Educational and general	19,671
Auxiliary enterprises	44
Depreciation	1,171
Total operating expenses	20,886
Operating loss	(14,379)
<b>Nonoperating revenues</b>	
Property taxes	9,147
State appropriations	2,203
Government grants	5,832
Other	470
Net nonoperating revenues	17,652
Increase in net position	3,273
Net position—beginning, as restated	18,421
Net position—ending	\$21,694

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

Department of Education	\$8,116
Department of Labor	798
Other	73
Total federal expenditures	\$8,987

## Significant pension reporting changes starting 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 \$11.7 million for the District at June 30, 2015. This 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. These liabilities 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 \$750,000 in fiscal year 2015.

## Summary of audit finding and recommendations

For the financial statement audit, we found an internal control weakness 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 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 weakness summarized below.

### Inadequate disaster recovery plan and data backup procedures

The District's networks and information systems process and store information and data that is vital to its daily operations. However, the District did not have adequate disaster recovery policies and procedures in place to provide for continuity of operations and help ensure it could recover vital IT resources in the event of a disaster, system or equipment failure, or other interruption. Specifically, the District's disaster recovery plan lacked key elements, such as processes for analyzing and prioritizing recovery of key systems and for identifying an alternate site if the main site became inoperable. In addition, although the District stores backup data off-site, it does not regularly test whether it can restore its systems from the backup data.

### Recommendations

The District should evaluate and update its disaster recovery plan and backup procedures to ensure that they sufficiently address the following:

- Analyzing the impact a disaster could have on its critical business processes.
- Identifying an alternative site should a disaster render the District's data center inoperable.
- Maintaining contact information of key personnel assigned to implement the disaster recovery plan.
- Developing a process to perform regularly scheduled tests of the disaster recovery plan and document the tests performed and the results.
- Establishing policies and procedures for testing backups of IT systems and data.
- Developing and implementing a training schedule for staff responsible for implementing the disaster recovery plan.
- Developing procedures to coordinate security incident response activities.