



Maricopa County Community College District

REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Maricopa 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 is reliable. Our Office identified internal control weaknesses over financial reporting and internal control weaknesses and instances of noncompliance over major federal programs. The most significant findings are 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 approximately \$37.2 million, or 17 percent, in fiscal year 2015.

Schedule of expenditures of federal awards—During fiscal year 2015, the District expended approximately \$297.6 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures decreased by \$38.4 million, or 11.4 percent, compared to fiscal year 2014.

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

Assets	
Current assets	\$ 576,682
Noncurrent, other than capital assets	219,037
Capital assets, net of depreciation	<u>846,466</u>
Total assets	<u>1,642,185</u>
Deferred outflows of resources	
	<u>68,872</u>
Liabilities	
Long-term liabilities	607,995
Net pension liability	567,150
Other liabilities	<u>184,880</u>
Total liabilities	<u>1,360,025</u>
Deferred inflows of resources	
	<u>100,530</u>
Net position	
Net investment in capital assets	289,058
Restricted	105,028
Unrestricted (deficit)	<u>(143,584)</u>
Total net position	<u>\$ 250,502</u>

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	\$ 155,484
Other	<u>12,480</u>
Total operating revenues	<u>167,964</u>
Operating expenses	
Educational and general	746,753
Auxiliary enterprises	50,663
Depreciation	50,077
Other	<u>447</u>
Total operating expenses	<u>847,940</u>
Operating loss	(679,976)
Nonoperating revenues and expenses	
Property taxes	517,731
State appropriations	7,410
Government grants and contracts	186,040
Other	27,796
Nonoperating expenses	<u>(23,387)</u>
Net nonoperating revenues	<u>715,590</u>
Capital grants and gifts	1,541
Increase in net position	37,155
Net position—beginning, as restated	<u>213,347</u>
Net position—ending	<u>\$ 250,502</u>

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

Department of Education	\$ 286,898
Other	<u>10,673</u>
Total federal expenditures	<u>\$ 297,571</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 approximately \$567.2 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 \$36.6 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 financial reporting for payroll expenses and its information technology (IT) resources. For the federal compliance audit, we tested six 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 two of its federal programs. Our Report on Internal Control and Compliance and Single Audit Report contain further details to help the District correct the internal control weaknesses and instances of noncompliance. The most significant findings and recommendations are summarized below.

District should continue improving policies and procedures over information technology resources

The District made progress toward correcting IT internal control weaknesses noted in the prior year report on internal control and compliance by adopting written policies and procedures. During the current audit we noted several areas where the District needs to continue its efforts on improving policies and procedures over its IT resources. Areas in need of improvement included: IT oversight and risk management, security, access controls, change management controls, and data backup and recovery controls. Certain information was omitted from our report on internal control and compliance as it was considered confidential and pertained to IT security.

Recommendation

The District needs to continue improving its policies and procedures over its IT resources to address system oversight and risk management, IT security, system access controls, change management controls, and data backup and recovery controls.