



# 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 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 and instances of noncompliance over financial reporting and major federal programs. Some of 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, 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 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. The change in net position indicates whether the District's financial health has improved or deteriorated as a result of the current-year activities. During fiscal year 2014, net position increased by approximately \$20.4 million, or 2.6 percent, as compared to a decrease of \$12.1 million, or 1.5 percent, in fiscal year 2013.

**Schedule of expenditures of federal awards**—During fiscal year 2014, the District expended approximately \$336 million in federal awards, which consisted primarily of student financial assistance. This included \$188.5 million that was spent as educational and general operating expenses and \$147.4 million that was disbursed as loans to students. The District's federal award expenditures decreased by \$43.1 million, or 11.4 percent, compared to fiscal year 2013.

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

<b>Assets</b>	
Current assets	\$ 550,770
Noncurrent, other than capital assets	297,278
Capital assets	819,939
Total assets	<u>1,667,987</u>
<b>Deferred outflows of resources</b>	
	4,404
<b>Liabilities</b>	
Current liabilities	154,380
Noncurrent liabilities	702,469
Total liabilities	<u>856,849</u>
<b>Deferred inflows of resources</b>	
	106
<b>Net position</b>	
Net investment in capital assets	272,857
Restricted	105,760
Unrestricted	436,819
Total net position	<u>\$ 815,436</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	\$ 153,195
Other	11,596
Total operating revenues	<u>164,791</u>
<b>Operating expenses</b>	
Educational and general	749,245
Auxiliary enterprises	48,480
Depreciation	48,271
Other	340
Total operating expenses	<u>846,336</u>
Operating loss	(681,545)
<b>Nonoperating revenues and expenses</b>	
Property taxes	497,466
State appropriations	7,913
Government grants	195,169
Other	28,139
Nonoperating expense	(27,176)
Net nonoperating revenues	<u>701,511</u>
Capital grants and gifts	408
Increase in net position	20,374
Net position—beginning	795,062
Net position—ending	<u>\$ 815,436</u>

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

Department of Education	\$ 324,362
Other	11,596
Total federal expenditures	<u>\$ 335,958</u>

## 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) systems. For the federal compliance audit, we tested seven federal programs under the major program guidelines established by the Single Audit Act. Our audit found that the District did not always have adequate internal controls and did not always comply with federal program requirements for three of its federal programs. Our Report on Internal Control and Compliance over financial reporting and our Single Audit Report, which includes a Schedule of Findings and Questioned Costs, contain further details to help the District correct the deficiencies. The most significant deficiencies are summarized below.

### District needs improved procedures for approving payroll expenses

The District's policies require supervisors to review and approve adjunct faculty employees' employment contracts and employees' time sheets. However, contracts and time sheets were not always approved, which could result in the District paying for unauthorized contracts or hours worked.

#### Recommendation

To help ensure that it pays for only authorized and valid adjunct faculty contracts and for authorized and approved hours worked, the District should improve its procedures for reviewing and approving adjunct faculty employment contracts and employees' time sheets.

### District needs to continue improving its IT system policies and procedures

We noted several areas where the District needs to continue its efforts to improving its IT system policies and procedures. Areas in need of improvement included: system oversight and risk management, IT security, system 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 IT system policies and procedures to better address system oversight and risk management, IT security, system access controls, change management controls, and data backup and recovery controls.