

Mohave County Community College District

CONCLUSION: Mohave County Community College District is responsible for preparing its annual financial report and a federal expenditure schedule, 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 District's financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the District's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the District's fiscal year 2016 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting. The most significant finding is summarized on the next page.

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.

Statement of revenues, expenses, and changes in net position—This statement reports all revenues, expenses, and other changes in net position. The increase or decrease in net position indicates whether financial health has improved or deteriorated as a result of current-year activities. Net position increased by \$6.4 million, or 57.8 percent, in fiscal year 2016.

Federal expenditure schedule—During fiscal year 2016, the District expended approximately \$11.5 million in federal awards, which consisted primarily of student financial assistance. The District's federal award expenditures decreased by \$2.4 million, or 17.5 percent, compared to fiscal year 2015.

Statement of net position As of June 30, 2016 (In thousands)

Assets and deferred outflows	
Current and other assets	\$ 20,413
Capital assets, net of depreciation	23,066
Deferred outflows of resources	1,956
Total assets and deferred outflows	45,435
Liabilities and deferred inflows	
Current liabilities	2,064
Noncurrent liabilities:	
Net pension liability	22,285
Other	168
Deferred inflows of resources	3,386
Total liabilities and deferred inflows	27,903
Net position	
Net investment in capital assets	23,066
Restricted	477
Unrestricted (deficit)	(6,011)
Total net position	\$ 17,532

Statement of revenues, expenses, and changes in net position Year ended June 30, 2016 (In thousands)

Revenues	
Tuition and fees, net of scholarship allowances	\$ 4,859
Property taxes	21,501
State appropriations	2,102
Government grants	7,299
Other revenues	1,311
Total revenues	37,072
Expenses	
Educational and general	28,988
Depreciation	1,141
Other expenses	518
Total expenses	30,647
Increase in net position	6,425
Net position—beginning	11,107
Net position—ending	\$17,532

Federal expenditure schedule Year ended June 30, 2016 (In thousands)

Federal grantor agency	
Department of Education	\$11,382
Small Business Administration	72
National Science Foundation	12
Total federal expenditures	\$11,466

Understanding the District's financial report

Understanding how to extract information from the District's financial report is important when reviewing financial performance and evaluating future financial decisions. As described below, our Office's financial report user guide and internal control and compliance reports user guide, available at www.azauditor.gov under reports and publications, help users identify and understand important and useful information in the District's financial report and in our reports on internal control and compliance over financial reporting and federal programs. Specifically:

- **Financial report user guide**—describes key financial information contained in district financial reports and indicates where to find this information. Key components in a financial report include the independent auditors' report, management's discussion and analysis, financial statements, notes to financial statements, and other required supplementary information.
- **Internal control and compliance reports user guide**—describes our internal control and compliance reports over financial reporting and federal programs. Those reports, which are included in our single audit report, provide information about whether the District has effective internal control procedures and whether it has complied with certain financial- and federal-related laws and regulations.

Summary of audit findings and recommendations

For the District's financial statement audit, we found internal control weaknesses over the District's financial reporting related to its financial statement preparation, risk-assessment process, information technology (IT) resources, and payroll. For the federal compliance audit, we tested one federal program under the major program guidelines established by the Single Audit Act and reported no weaknesses 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. The most significant finding and recommendation is summarized below.

District should establish procedures to accurately record and report financial information—The District's Governing Board and management depend on accurate financial statements prepared in accordance with U.S. generally accepted accounting principles to fulfill their oversight responsibilities and to report accurate information to the public and agencies from which the District receives funding. However, the District lacked adequate policies and procedures over the preparation of its annual financial report. As a result, the District's financial statements, notes, and other required information contained misstatements and errors that required correction.

Recommendations

The District should develop and implement comprehensive written policies and procedures for preparing its annual financial report, including its financial statements, note disclosures, and other required information. These policies and procedures should include instructions for compiling information and completing a thorough review of the financial statements to help ensure that they are accurate and complete and prepared in accordance with U.S. generally accepted accounting principles.