

**REPORT HIGHLIGHTS**  
FINANCIAL STATEMENT AND  
SINGLE AUDITS

**Our Conclusion**

Navajo 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 reports that included our 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 reports identified an internal control finding over financial reporting. This finding is 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, liabilities, 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 to net position. Revenues and expenses are reported as either operating or nonoperating. 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 \$3.6 million, or 5 percent, as compared to an increase of \$4.5 million, or 6 percent, in fiscal year 2013.

**Schedule of expenditures of federal awards**—During fiscal year 2014, the District expended \$4.1 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 over \$605,000, or 13 percent, compared to fiscal year 2013.

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

<b>Assets</b>	
Current assets	\$42,574
Noncurrent, other than capital	674
Capital assets, net of depreciation	<u>39,290</u>
Total assets	<u>82,538</u>
<b>Liabilities</b>	
Current	2,098
Noncurrent	<u>141</u>
Total liabilities	<u>2,239</u>
<b>Net position</b>	
Net investment in capital assets	39,232
Restricted	613
Unrestricted	<u>40,454</u>
Total net position	<u>\$80,299</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	\$ 2,295
Government contracts	3,157
Other	<u>419</u>
Total operating revenues	<u>5,871</u>
<b>Operating expenses</b>	
Educational and general	25,824
Auxiliary enterprises	559
Depreciation	<u>1,838</u>
Total expenses	<u>28,221</u>
Operating loss	(22,350)
<b>Nonoperating revenues and expenses</b>	
Property taxes	13,153
State appropriations	7,161
Government grants	4,741
Other	888
Nonoperating expenses	<u>(118)</u>
Net nonoperating revenues	<u>25,825</u>
<b>Capital appropriations</b>	
Increase in net position	3,598
Net position—beginning	<u>76,701</u>
Net position—ending	<u>\$80,299</u>

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

Department of Education	\$3,745
Department of Labor	267
Small Business Administration	<u>114</u>
Total federal expenditures	<u>\$4,126</u>

## Summary of audit findings and recommendations

For the financial statement audit, we found an internal control weakness over the District's reporting of capital assets in its financial statements and related note disclosures. 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 deficiency summarized below.

### Improvements needed for capital assets reporting and stewardship

As of June 30, 2014, capital assets comprised \$39.3 million, or 48 percent, of the District's total assets. However, the District did not have effective internal controls over its capital assets that were sufficient to control, safeguard, and accurately report them. As a result, the District improperly classified a completed building valued at \$5.3 million as construction in progress when it should have been reported in the buildings classification within its financial statements and capital asset listing. In addition, the District disposed of equipment in prior fiscal years but never removed the items from its capital asset listing. This resulted in the District reporting an overstatement of equipment of approximately \$100,000 and an overstatement of accumulated depreciation of approximately \$90,000. Further, the District did not always follow its procedures for tagging and disposing of equipment items. The District adjusted its financial statement and related note disclosures to correct all significant errors.

#### Recommendation

The District should develop and implement policies and procedures over capital assets to ensure construction projects are properly recorded in its accounting records and equipment disposals are removed from its accounting records in the appropriate year. Additionally, the District should follow its established policies and procedures to ensure all capital asset items are tagged and equipment disposals are properly documented.