



REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Pima 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 on 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 2013 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified internal control deficiencies and an instance of noncompliance over a major federal program. These findings are summarized on the next page.



2013

Year Ended June 30, 2013

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 in net position. The change in net position indicates whether the District's financial health has improved or deteriorated as a result of current-year activities. During fiscal year 2013, net position decreased by \$2.3 million, or 1.1 percent, as compared to an increase of \$589,000, or 0.3 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the District expended \$79.1 million in federal awards, which consisted primarily of student financial assistance. This included \$52.3 million that was spent as educational and general operating expenses and \$26.8 million of new loans disbursed to students and outstanding loan balances. The District's federal award expenditures decreased by \$20.4 million, or 20.5 percent, compared to fiscal year 2012.

Condensed statement of net position As of June 30, 2013 (In thousands)

Assets	
Current assets	\$ 89,921
Noncurrent, other than capital	32,910
Capital assets, net of depreciation	<u>113,128</u>
Total assets	<u>235,959</u>
Liabilities	
Current	16,077
Noncurrent	<u>4,631</u>
Total liabilities	<u>20,708</u>
Net position	
Net investment in capital assets	111,773
Restricted	9,815
Unrestricted	<u>93,663</u>
Total net position	<u>\$215,251</u>

Condensed statement of revenues, expenses, and changes in net position For the year ended June 30, 2013 (In thousands)

Operating revenues	
Tuition and fees, net of scholarship allowances	\$ 30,035
Contracts	2,888
Other	<u>2,753</u>
Total operating revenues	<u>35,676</u>
Operating expenses	
Educational and general	187,804
Auxiliary enterprises	756
Depreciation	<u>7,775</u>
Total operating expenses	<u>196,335</u>
Operating loss	(160,659)
Nonoperating revenues and expenses	
Property taxes	94,151
State appropriations	7,353
Government grants	52,689
Other	<u>3,368</u>
Net nonoperating revenues	<u>157,561</u>
Other increases	800
Decrease in net position	(2,298)
Net position—beginning	<u>217,548</u>
Net position—ending	<u>\$215,250</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2013 (In thousands)

Department of Education	\$75,804
Department of Health and Human Services	2,958
Other	<u>292</u>
Total federal expenditures	<u>\$79,054</u>

Summary of audit findings and recommendations

For the financial statement audit, we found an internal control weakness over the District's preparation of its deposits and investments disclosure. For the federal compliance audit, we tested five 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 one of its programs. Our Report on Internal Control and Compliance over financial reporting and our Single Audit Report over federal programs include further details to help the District correct these deficiencies. The findings and recommendations are summarized below.

Inadequate internal controls over preparation of investment note disclosures

The District lacked adequate internal controls to properly report investment risk information in its notes to the financial statements. Specifically, auditors found that the District reported its investments in a manner that made them appear to have less risk. For example, the District reported investments valued at \$15 million with more favorable credit quality ratings than they actually had and investments valued at \$13 million with shorter maturity time frames than they actually had. The District made all necessary adjustments to accurately report investment risk information in its notes to the financial statements.

Recommendation

To improve controls over the preparation of investment risk disclosures, the District should develop policies and procedures requiring a more detailed review of investment risk information to help ensure that this information is properly reported in its notes to the financial statements.

Noncompliance with federal program requirements

For the Student Financial Assistance cluster, the District is required to report changes in a student's enrollment status to the federal government's loan data system within certain time frames. Auditors found that the District reported changes to students' enrollment status late for 25 percent of students tested and incorrectly reported students' enrollment status for 13 percent of students tested. As a result, lenders may have provided students with larger loans than they were qualified to receive and loan repayment terms and conditions may have been affected.

Recommendation

To help ensure compliance with federal requirements, the District should develop and implement policies and procedures to help ensure that changes in students' enrollment status reported to the federal government's loan data system are timely, accurate, and complete.