

**REPORT HIGHLIGHTS**  
FINANCIAL STATEMENT AND  
SINGLE AUDITS

**Our Conclusion**

Pinal 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 of expenditures of federal awards is reliable. Our Office identified internal control weaknesses and an instance of noncompliance over a major federal program. The most significant finding is 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 the net investment in capital assets and restricted balances have been allocated. The balance was reduced in fiscal year 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 \$8.1 million, or 12 percent, in fiscal year 2015.

**Schedule of expenditures of federal awards**—During fiscal year 2015, the District expended almost \$20.7 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 approximately \$706,000, or 3.3 percent, compared to fiscal year 2014.

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

<b>Assets</b>	
Current assets	\$ 50,813
Noncurrent, other than capital	4,940
Capital assets, net of depreciation	<u>159,156</u>
Total assets	<u>214,909</u>
<b>Deferred outflows of resources</b>	<u>3,790</u>
<b>Liabilities</b>	
Net pension liability	32,057
Other liabilities	<u>103,969</u>
Total liabilities	<u>136,026</u>
<b>Deferred inflows of resources</b>	<u>6,414</u>
<b>Net position</b>	
Net investment in capital assets	60,370
Restricted	4,468
Unrestricted	<u>11,421</u>
Total net position	<u>\$ 76,259</u>

**Condensed statement of revenues,  
expenses, and changes in net position  
For the year ended June 30, 2015  
(In thousands)**

<b>Operating revenues</b>	
Tuition and fees, net of scholarship allowances	\$ 5,393
Other	<u>1,002</u>
Total operating revenues	<u>6,395</u>
<b>Operating expenses</b>	
Educational and general	56,107
Auxiliary enterprises	1,047
Depreciation	<u>6,202</u>
Total operating expenses	<u>63,356</u>
Operating loss	(56,961)
<b>Nonoperating revenues and expenses</b>	
Property taxes	48,308
State appropriations	3,033
Government grants	16,365
Other revenues	1,382
Interest expenses	<u>(3,994)</u>
Net nonoperating revenues	<u>65,094</u>
Increase in net position	8,133
Net position—beginning, as restated	<u>68,126</u>
Net position—ending	<u>\$ 76,259</u>

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

Department of Education	\$19,631
Department of Labor	940
Other	<u>89</u>
Total federal expenditures	<u>\$20,660</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 \$32.1 million for the District at June 30, 2015. The net pension liability is calculated by subtracting the pension plans 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 \$1 million in fiscal year 2015.

## Summary of audit finding and recommendation

For the financial statement audit, we reported no internal control weaknesses or instance of noncompliance over financial reporting. For the federal compliance audit, we tested three 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 Single Audit Report includes a Schedule of Findings and Questioned Costs that contains further details to help the District correct the finding summarized below.

### District failed to comply with federal program requirements

For the Adult Education—Basic Grants to States federal program, the District is required to have effective controls and accountability to ensure program monies are used only for authorized purposes as outlined in the grant agreement. However, we found that the District spent \$12,802 for student tuition in fiscal year 2015, which is an unallowed cost for the program.

#### Recommendation

The District should ensure its employees are knowledgeable of the program's requirements to help prevent program monies from being used for unallowed costs.