



# Pima County Community College District

## 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 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 instances of noncompliance over major federal programs. This 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 negative at June 30, 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 decreased by \$7.6 million, or 10 percent, in fiscal year 2015.

**Schedule of expenditures of federal awards**—During fiscal year 2015, the District expended \$57 million in federal awards, which consisted primarily of student financial assistance. This included \$45.7 million that was spent as educational and general operating expenses and \$11.3 million of new loans disbursed to students. The District's federal award expenditures decreased by \$4.3 million, or 7 percent, compared to fiscal year 2014.

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

<b>Assets</b>	
Current assets	\$ 80,738
Noncurrent, other than capital	30,711
Capital assets, net of depreciation	<u>111,017</u>
Total assets	<u>222,466</u>
<b>Deferred outflows of resources</b>	
	<u>16,340</u>
<b>Liabilities</b>	
Net pension liability	126,728
Other liabilities	<u>22,649</u>
Total liabilities	<u>149,377</u>
<b>Deferred inflows of resources</b>	
	<u>21,443</u>
<b>Net position</b>	
Net investment in capital assets	111,017
Restricted	8,870
Unrestricted (deficit)	<u>(51,901)</u>
Total net position	<u>\$ 67,986</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	\$ 27,861
Contracts	3,614
Other	<u>2,746</u>
Total operating revenues	<u>34,221</u>
<b>Operating expenses</b>	
Educational and general	189,979
Auxiliary enterprises	973
Depreciation	<u>8,404</u>
Total operating expenses	<u>199,356</u>
Operating loss	(165,135)
<b>Nonoperating revenues and expenses</b>	
Property taxes	99,465
State appropriations	7,094
Government grants	47,190
Other	<u>3,610</u>
Net nonoperating revenues	<u>157,359</u>
Other increases	136
Decrease in net position	(7,640)
Net position—beginning, restated	<u>75,626</u>
Net position—ending	<u>\$ 67,986</u>

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

Department of Education	\$52,196
Department of Health and Human Services	3,795
Other	<u>1,011</u>
Total federal expenditures	<u>\$57,002</u>

## Significant pension reporting changes in fiscal year 2015

The Government 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 two of the State's defined benefit pension plans. 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 \$126.7 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 \$8.7 million in fiscal year 2015.

## Summary of audit finding and recommendation

For the financial statement audit, we reported no internal control weaknesses or instances of noncompliance. 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 major 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 summarized below.

### District failed to comply with student financial assistance federal program requirements

For the Student Financial Assistance federal program cluster, the District did not have adequate policies and procedures to sufficiently report changes in students' enrollment status to ensure that the National Student Loan Data System (NSLDS) was always accurate and up to date. It also lacked policies and procedures over its academic progress policy to ensure its students met the required minimum grade point average and that its students stopped receiving assistance once they could no longer complete their educational programs within the required time frames.

#### 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 are reported timely and accurately to the NSLDS.
- Academic progress is determined using the required minimum grade point average.
- Students stop receiving assistance if they cannot complete their educational programs within required time frames.