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Gila County Provisional Community College District  
(Gila Community College)

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Financial Statements

Year Ended June 30, 2022

Gila County Provisional Community College District  
(Gila Community College)  
Financial Statements  
Year Ended June 30, 2022

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## Independent auditors' report

The Arizona Auditor General  
The Governing Board  
Gila County Provisional Community College District

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities and General Fund of Gila County Provisional Community College District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Gila County Provisional Community College District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gila County Provisional Community College District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Gila County Provisional Community College District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule-General Fund, as listed within the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2023 on our consideration of Gila County Provisional Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*CWDL, Certified Public Accountants*

Scottsdale, Arizona  
March 25, 2023



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## Management's Discussion and Analysis

Our discussion and analysis of the Gila County Provisional Community College District's (District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2022. Please read it in conjunction with the District's basic financial statements, which immediately follow.

### Basic Financial Statements

The District is a special-purpose governmental unit governed by a separately elected governing body. The financial statements are presented in accordance with the reporting model prescribed by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis*, and consist of the following:

The government-wide and fund financial statements are presented, with a reconciliation shown between them.

The Governmental Fund Balance Sheet/Statement of Net Position and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities combines information about the reporting government as a whole and the fund statements that report the General Fund's financial position and the results of its operations. Government-wide financial statements are designed to provide readers with a broad overview of the District's finances. Fund accounting is designed to demonstrate legal compliance and focuses on near-term inflows and outflows of resources as well as the balances of spendable resources available at year end.

The General Fund is the District's general operating fund. It is used to account for all of the District's financial resources.

### Financial Highlights and Analysis

In accordance with State Statutes, the District does not offer degrees, certificates, or diplomas. As a result, the District has contracted with Eastern Arizona College (EAC) to provide educational programs and services.

The District and EAC entered into an intergovernmental agreement and operating agreement under which EAC provides educational programs and services to the District from July 1, 2005 through June 30, 2022. The agreement established that EAC will provide educational programs; certification of faculty; admission and registration of students; payroll services for EAC employees; academic records and transcripts; access to student information; financial aid counseling, processing, and distribution; student employment; curriculum and master schedule development; information technology services; collection of all tuition and fees for credit courses; cashing for EAC-related functions; access to information relative to enrollments; and payment to adjunct faculty.

The District exercises primary tax levy authority for the generation of funds and collects other general revenues to pay for the contracted education and other general operating expenses. The District continues to act in a financially conservative manner during the budgetary process, looking to maintain a secure financial future for the institution.

### Condensed Financial Information

The financial information in the *Statement of Net Position* on page 1 reflects the District's assets, liabilities, and net position. The *Statement of Activities* on page 2 presents the District's operations. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or regressing. The following tables present summaries of the District's net position and the changes in net position for the years ended June 30, 2022 and 2021.

*Net Position  
As of June 30, 2022 and 2021*

	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>Increase/ (Decrease)</b>
<b>Assets:</b>			
Current assets:	\$ 11,186,331	\$ 6,519,108	\$ 4,667,223
Noncurrent assets:			
Capital assets, not being depreciated/amortized	1,268,208	1,268,208	
Capital assets, net of accumulated depreciation/amortization	5,173,133	5,407,743	(234,610)
Total assets	17,627,672	13,195,059	4,432,613
<b>Liabilities:</b>			
Other liabilities	3,398,483	651,848	2,746,635
Long-term liabilities	17,906	28,202	(10,296)
Total liabilities	3,416,389	680,050	2,736,339
<b>Deferred inflows related to leases</b>	137,397		137,937
<b>Net Position:</b>			
Net investment in capital assets	6,423,435	6,647,749	(224,314)
Unrestricted	7,650,451	5,867,260	1,783,191
Total net position	\$ 14,073,886	\$ 12,515,009	\$ 1,558,877

*Changes in Net Position  
For the Years Ended June 30, 2022 and 2021*

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase/ (Decrease)</u>
<b>Expenses:</b>			
Educational and general	\$ 6,331,628	\$ 5,748,576	\$ 583,052
Total expenses	<u>6,331,628</u>	<u>5,748,576</u>	<u>583,052</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	35,373	30,683	4,690
Operating grants and contracts	616,163	644,321	(28,158)
Total program revenues	<u>651,536</u>	<u>675,004</u>	<u>(23,468)</u>
General revenues:			
Property taxes	5,432,411	5,321,702	110,709
State appropriations	1,405,659	788,631	617,028
Smart and Safe Arizona Fund appropriations	395,577		395,577
Investment earnings	3,097	4,525	(1,428)
Other	2,225	4,073	(1,848)
Total general revenues	<u>7,238,969</u>	<u>6,118,931</u>	<u>1,120,038</u>
Total revenues	<u>7,890,505</u>	<u>6,793,935</u>	<u>1,096,570</u>
Change in net position	1,558,877	1,045,359	<u>513,518</u>
Beginning net position	<u>12,515,009</u>	<u>11,469,650</u>	
Ending net position	<u>\$14,073,886</u>	<u>\$12,515,009</u>	

**Significant Variances**

For the fiscal year ended June 30, 2022, the financial data presented above is for analysis and comparison of significant variances relative to assets, liabilities, deferred inflows, net position, revenues, and expenses.

- Total assets at June 30, 2022 were \$17,627,672 consisting primarily of cash and investments of \$10,212,281 and capital assets, net of accumulated depreciation/amortization, of \$6,441,341. The increase in current assets can be attributed to higher cash balances due to payments to EAC for educational programs and services provided for the year paid after year end.
- The total liabilities of \$3,416,389 were comprised of current obligations for educational and general expenses and long-term liabilities for leases and a loan. The increase in other liabilities of \$2,746,635 is the result of a increase in the amount due to EAC. The amount invoiced for the later quarters of the fiscal year were paid after year end.
- In 2021, a compensation study was completed at EAC, which affected Gila District employees. Many staff were reclassified and received raises in 2022 including a cost of living. Faculty also received raises. Educational and general expenses increased as a result.
- State appropriations increased primarily as the result of the receipt of \$652,300 in rural aid.
- Smart and Safe Arizona Fund appropriations of \$395,577 were received during the fiscal year, as a result of the passage of Proposition 207 by voters in November 2020.
- Net position increased \$513,518 from the prior year as revenues continue to exceed expenses.

## **General Fund Budget**

The District's actual educational and general expenditures were \$941,432 less than budgeted amounts primarily due to conservative spending.

Total revenues were \$1,563,908 than budgeted, primarily due to the receipt of rural aid and Smart and Safe Arizona Fund monies.

Additional budgetary information can be found on pages 14 and 15 of this report.

## **Capital Assets and Debt Administration**

**Capital Assets.** The District's total investment in capital assets, net of accumulated depreciation/amortization, was \$6,441,341 which was comprised of land and land improvements, buildings and building improvements, equipment, vehicles, and library books. There was a net decrease of \$234,610 from the prior year, primarily the result of the depreciation expense charged for the year.

Additional information on the District's capital assets can be found in Note 5 in the notes to the financial statements.

**Debt Administration.** At year end, the District had \$17,906 in long-term liabilities outstanding, \$17,190 due within one year. This represents a decrease of \$10,296 due to the payment of debt.

Additional information on the District's long-term liabilities can be found in Note 7 in the notes to the financial statements.

## **Economic Outlook**

In looking back to pre-COVID enrollments at the District, in 2018-2019 FTSE of 684 continually declined with the pandemic through the 2021-2022 year to a low of 457 FTSE. The District is currently reviewing preliminary numbers for the 2022-2023 year and anticipate growth. We are awaiting the final numbers to determine how much online enrollments will impact the District this year and what effect it will have on enrollments moving forward as many students have become more comfortable taking online courses.

Dual enrollment was significantly up at the high schools as the District worked diligently to re-establish partnerships with the high schools in the area since the pandemic.

A grant was submitted for the Regional Training Center in Miami, Arizona to upgrade the facility to state-of-the-art equipment and technology to provide students with 21<sup>st</sup> century skills to obtain employment in high-wage, high-demand fields to support the needs of local industry. FMI provided two instructors in the Spring of 2022 to assist with welding instruction.

## **Request for Information**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Janet Brocker, Governing Board President.

Gila County Provisional Community College District  
(Gila Community College)  
Governmental Fund Balance Sheet/Statement of Net Position  
June 30, 2022

	General Fund	Reconciliation (Note 8)	Statement of Net Position - Governmental Activities
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 10,212,281	\$ -	\$ 10,212,281
Property taxes receivable	203,180	-	203,180
Due from other governments	633,473	-	633,473
Leases receivable	137,397		137,397
Total current assets	11,186,331	-	11,186,331
Noncurrent assets:			
Capital assets not being depreciated		1,268,208	1,268,208
Capital assets, net of accumulated depreciation/amortization		5,173,133	5,173,133
Total noncurrent assets		6,441,341	6,441,341
Total assets	\$ 11,186,331	6,441,341	17,627,672
<b>Liabilities</b>			
Current liabilities:			
Due to other governments	\$ 3,398,083	-	3,398,083
Unearned revenue	400		400
Current portion of long-term debt		17,190	17,190
Total current liabilities	3,398,483	17,190	3,415,673
Noncurrent liabilities:			
Long-term debt	-	716	716
Total noncurrent liabilities	-	716	716
Total liabilities	3,398,483	17,906	3,416,389
Deferred inflows of resources			
Unavailable revenues - property taxes	172,516	(172,516)	-
Deferred inflows related to leases	137,397		137,397
Total deferred inflows of resources	309,913	(172,516)	137,397
<b>Fund balance/Net position</b>			
Fund balance:			
Unassigned	7,477,935	(7,477,935)	
Total fund balance	7,477,935	(7,477,935)	
Total liabilities, deferred inflows of resources and fund balance	\$ 11,186,331		
Net position:			
Net investment in capital assets		6,423,435	6,423,435
Unrestricted		7,650,451	7,650,451
Total net position		\$ 14,073,886	\$ 14,073,886

See accompanying notes to the financial statements

Gila County Provisional Community College District  
(Gila Community College)  
Statement of Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balance/Statement of Activities  
Year Ended June 30, 2022

	General Fund	Reconciliation (Note 8)	Statement of Activities - Governmental Activities
Expenditures/Expenses:			
Educational and general	\$ 5,980,834	\$ 350,794	\$ 6,331,628
Debt service:			
Principal retirement	10,296	(10,296)	-
Capital outlay	116,184	(116,184)	-
Total expenditures/expenses	<u>6,107,314</u>	<u>224,314</u>	<u>6,331,628</u>
Program revenues:			
Charges for services	35,373	-	35,373
Operating grants and contracts	616,163	-	616,163
Total program revenues	<u>651,536</u>	<u>-</u>	<u>651,536</u>
Net program expenses	<u>5,455,778</u>	<u>224,314</u>	<u>5,680,092</u>
General revenues:			
Property taxes	5,429,907	2,504	5,432,411
State appropriations	1,405,659	-	1,405,659
Smart and Safe Arizona Fund appropriations	395,577	-	395,577
Investment earnings	3,097	-	3,097
Other	2,225	-	2,225
Total general revenues	<u>7,236,465</u>	<u>2,504</u>	<u>7,238,969</u>
Net change in fund balance (deficit)	1,780,687	(1,780,687)	
Change in net position		1,558,877	1,558,877
Fund balance (deficit)/Net position:			
July 1, 2021	5,697,248	6,817,761	12,515,009
June 30, 2022	<u>\$ 7,477,935</u>	<u>\$ 6,595,951</u>	<u>\$ 14,073,886</u>

See accompanying notes to the financial statements

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2022

**Note 1 – Summary of Significant Accounting Policies**

Gila County Provisional Community College District's (District) accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For year ended June 30, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the District's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows and outflows of resources based on the contract payment provisions.

**A. Reporting Entity**

The District is a special-purpose government that a separately elected governing body governs. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

Because Gila County Provisional Community College District is a provisional district, it cannot offer degrees, certificates, or diplomas and, therefore, contracts with an accredited district. Educational programs and services are provided through intergovernmental agreements as follows:

The District and Eastern Arizona College (EAC) entered into an intergovernmental agreement and operating agreement under which EAC provides educational programs and services to the District from July 1, 2005 through June 30, 2022. Per the agreement, Article IV section B, the agreement shall automatically be extended for additional periods of one year each after the initial term unless either party provides notice of termination of the agreement as set forth in Article V, Section A of the agreement. The agreement was continued for the 2023 year. The agreement established that EAC will provide educational programs; certification of faculty; admission and registration of students; payroll services for EAC employees; academic records and transcripts; access to student information; financial aid counseling, processing, and distribution; student employment; curriculum and master schedule development; information technology services; collection of all tuition and fees for credit courses; cashiering for EAC-related functions; access to information relative to enrollments; and payment to adjunct faculty.

The District has no employees as all faculty and staff are direct employees of EAC. The District compensates EAC for its services on a cost reimbursement basis plus an administrative fee. This fee is calculated by multiplying a reimbursement rate of 25% of EAC's actual direct costs of providing services and programs to the District.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2022

## **Note 1 – Summary of Significant Accounting Policies**

### **B. Basis of Presentation and Accounting**

The financial statements include the Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Since the District is a single-program government, it presents the government-wide financial statements in combination with the fund financial statements.

The Governmental Fund Balance Sheet/Statement of Net Position provides information about the assets, liabilities, deferred inflows of resources and fund balance/net position of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District obligations. Net investment in capital assets, represents the value of capital assets, net of accumulated depreciation, less any outstanding liabilities incurred to acquire or construct the assets. Unrestricted net position includes all other net resources, including those that have been designated by management to be used for other than general operating purposes.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities provides information about the District's financial activities during the year. Revenues are classified as either program or general, and all changes in net position are reported. Generally, revenues generated by the District for instruction and student services, along with operating and capital grants and contributions, are considered to be program revenues. Other revenues used for instruction and student services, such as property taxes, state appropriations, and investment earnings, not classified as program revenues are considered to be general revenues.

The General Fund is the District's primary operating fund.

The fund financial statements, the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance, are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The District considers all revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year end. The District's major revenue sources susceptible to accrual are property taxes, state appropriations, government grants and contracts, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in the General Fund. Issuances of general long-term debt and acquisitions under leases are reported as other financing sources.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2022

**Note 1 – Summary of Significant Accounting Policies**

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the year in which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**C. Cash and Investments**

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits and cash and investments held by the County Treasurer.

All investments are stated at fair value.

**D. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	<b>Capitalization Threshold</b>	<b>Depreciation/Amortization Method</b>	<b>Estimated Useful Life</b>
Land	\$1	Not applicable	Not applicable
Buildings and improvements	\$5,000	Straight-line	15-40 years
Equipment and Vehicles	\$5,000	Straight-line	5-15 years
Improvements other than buildings	\$5,000	Straight-line	5-25 years
Library books	\$1	Straight-line	10 years
Intangibles: Right-to use lease assets:	\$5,000	Straight-line	5-15 years

**Equipment**

Intangible right-to-use assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2022

**Note 1 – Summary of Significant Accounting Policies**

E. Property Tax Revenues

The District's property tax rate is adopted by the Governing Board and reviewed on an annual basis. The Gila County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

F. Deferred Inflows of Resources

The balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of fund balance that applies to future periods and will be recognized as a revenue in future periods.

G. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

H. Fund Balance Classifications

Fund balance of the governmental fund is reported separately within classifications based on a hierarchy of the constraints placed on the resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications. Although the District did not use all of the fund balance classifications during the current year, descriptions of each classification and the District's policies follows.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the District's Governing Board approved, which is the highest level of decision-making authority within the District. Only the Board can remove or change the constraints placed on committed fund balances.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2022

**Note 1 – Summary of Significant Accounting Policies**

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but is neither restricted nor committed. Assigned amounts represent intended uses established by the Board or a management official delegated that authority by formal Board action.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the District will use restricted fund balance first. The District will use committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

I. Leases

As lessee, the District recognized lease liabilities with an initial, individual value of \$5,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District's estimated incremental borrowing rate is based on the Arizona General Accounting Office (GAO) published information.

As lessor, the District recognizes lease receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables.

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2022

**Note 2 – Deposits and Investments**

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District’s maintenance or capital outlay with the County Treasurer. A.R.S. does not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with another’s property when making investment decisions about those monies. A.R.S requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. A.R.S. does not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District’s investments.

**Deposits** – At June 30, 2022, the carrying amount of the District’s deposits was \$10,162,465, and the bank balance was \$10,162,465. The District does not have a formal policy with respect to custodial credit risk of deposits. At June 30, 2022, the District’s deposits were entirely covered by Federal depository insurance or through the Arizona State Treasurer’s pooled collateral program.

**Investments** – The District’s investment in the County Treasurer’s investment pool is valued using the District’s proportionate participation in the pool because the pool’s structure does not provide for shares. The District’s portion is not identified with specific investments, and therefore, it is not subject to custodial credit risk. The District does not have a formal policy regarding custodial credit risk for investments.

The District’s external investment pool balance measured at fair value at June 30, 2022 was as follows:

	<b>Amount</b>
County Treasurer’s investment pool	\$49,566

**Credit risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill the obligation. The District does not have a formal policy with respect to credit risk. At June 30, 2022, credit risk for the District’s investments was as follows:

<b>Investment Type</b>	<b>Rating</b>	<b>Rating Agency</b>	<b>Amount</b>
County Treasurer’s investment pool	Unrated	Not applicable	\$49,566

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect an investments fair value. The District does not have a formal policy regarding interest rate risk for investments. At June 30, 2022, the District had the following investments in debt securities:

<b>Investment Type</b>	<b>Weighted Average Maturity</b>	<b>Amount</b>
County Treasurer’s investment pool	1.79 years	\$49,566

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2022

**Note 2 – Deposits and Investments**

A reconciliation of cash, deposits, and investments to amounts shown on the Statement of Net Position follows:

Cash, deposits and investments:		Statement of Net Position:	
Cash on hand	\$ 250	Cash and investments	\$ 10,212,281
Amount of deposits	10,162,465		
Amount of investments	<u>49,566</u>		
Total	<u>\$ 10,212,281</u>	Total	<u>\$ 10,212,281</u>

**Note 3 – Due from Other Governments**

Due from other governments at June 30, 2022, as reported in the Statement of Net Position is comprised of amounts due from the following:

Eastern Arizona College	\$ 619,723
State of Arizona	<u>13,750</u>
Total	<u>\$ 633,473</u>

**Note 4 – Leases Receivable**

The District leases an easement for a cell tower to a third party under the provisions of a contract classified as a lease. The related receivable under the lease agreement has been recorded at the present value of its future minimum lease payments as of the inception date. The District receives payment on the lease at the beginning of each five-year period. There are four five-year period extensions on the lease as of June 30, 2022.

Future minimum lease payments to be received under the lease agreement at year end is summarized as follows:

	Year ending June 30:	
	2023	\$ 26,344
	2028	31,363
	2033	36,675
	2038	<u>43,015</u>
Total		<u>\$ 137,397</u>

Gila County Provisional Community College District  
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Notes to Financial Statements  
June 30, 2022

**Note 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2022, was as follows:

	<b>Balance July 1, 2021, as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2022</b>
Capital assets, not being depreciated/amortized:				
Land	\$ 1,268,208			\$ 1,268,208
Construction in progress				
Total capital assets, not being depreciated/amortized	<u>1,268,208</u>			<u>1,268,203</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	6,122,641	22,680		6,145,320
Land improvements	274,178			274,178
Equipment	1,149,782			1,149,782
Vehicles	204,174			204,174
Library books	361,668			361,668
Intangibles:				
Right-to-use lease assets:				
Equipment	14,360			14,360
Total capital assets being depreciated/amortized	<u>8,126,803</u>	<u>22,680</u>		<u>8,149,483</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,338,776)	(169,603)		(1,508,379)
Land improvements	(40,700)	(11,807)		(52,507)
Equipment	(780,014)	(69,861)		(849,875)
Vehicles	(201,572)	(1,200)		(194,464)
Library books		(1,947)		(359,945)
Intangibles:				
Right-to-use lease assets:				
Equipment		(2,872)		(11,180)
Total accumulated depreciation/amortization	<u>(2,719,060)</u>	<u>(257,290)</u>		<u>(2,976,350)</u>
Total capital assets, being depreciated/amortized, net	<u>5,407,743</u>	<u>(234,610)</u>		<u>5,173,133</u>
Total capital assets, net	<u>\$ 6,675,951</u>	<u>(234,610)</u>		<u>\$ 6,441,341</u>

The balances at July 1, 2021 were restated for equipment and right-to-use lease asset equipment for the reclassification of assets due to the implementation of GASB Statement No. 87. Accumulated depreciation/amortization was also restated accordingly.

Gila County Provisional Community College District  
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Notes to Financial Statements  
June 30, 2022

**Note 6 – Due to Other Governments**

At June 30, 2022, the District had reported a total amount due to other governments of \$3,398,083. A portion of this liability, in the amount of \$3,042,263 is owed to EAC for providing educational programs and services during the year. The remaining amount of \$355,820 is owed to the State of Arizona related to erroneous sales tax distributions in prior years.

**Note 7 – Long-Term Liabilities**

The following schedule details the District’s long-term liability and obligation activity for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Leases payable	\$ 6,460		2,872	3,588	2,872
Loan payable	21,742		7,424	14,318	14,318
Total long-term liabilities	<u>\$ 28,202</u>		<u>10,296</u>	<u>17,906</u>	<u>17,190</u>

**Leases payable** – The District has acquired postage machines under the provisions of contracts classified as leases. The related obligations under the lease agreements have been recorded at the present value of their future minimum lease payments as of the inception date. Amortization of right-to-use assets recorded under leases is included with depreciation expense.

The following schedule details minimum lease payments to maturity for the District’s leases payable at June 30, 2022:

Year ending June 30:	Principal
2023	\$ 2,872
2024	716
Total	<u>\$ 3,588</u>

The total amount of right-to-use lease assets and the related accumulated amortization are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 14,360
Less: Accumulated amortization	(11,180)
Carrying value	<u>\$ 3,180</u>

Gila County Provisional Community College District  
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Notes to Financial Statements  
June 30, 2022

**Loan payable** – The District acquired a building and equipment for their cosmetology program partially through an IGA with Northern Arizona Vocational Institute of Technology (NAVIT). In accordance with the agreement, NAVIT provided the District with \$187,264 in fiscal year 2014 and the District is required to pay back \$63,632. The agreement period is from July 1, 2014 through June 30, 2024 and requires the District must maintain a cosmetology program designed to lead College and CTED students to a career in cosmetology. Repayment is subject to the availability and appropriations of monies. At the end of the agreement all property and equipment purchased with the provided funds will remain the property of the District. If the agreement terminates because the District fails to comply with the provisions of the agreement, the District is required to repay the entire \$187,264 less any payments made.

The following schedule details debt service requirements to maturity for the District’s long term liabilities at June 30, 2022:

Year Ending June 30:	
2023	14,318
Total payments outstanding	<u>14,318</u>

**Note 8 – Reconciliations**

The reconciliation of the governmental fund balance sheet to the statement of net position at June 30, 2022, was as follows:

Fund balance – governmental fund	\$ 7,477,935
Amounts reported for governmental activities in the statement of net position are different because:	
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental fund statement.	172,516
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	6,441,341
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(17,906)</u>
Net position of governmental activities	<u>\$ 14,073,886</u>

Gila County Provisional Community College District  
(Gila Community College)  
Notes to Financial Statements  
June 30, 2022

**Note 8 – Reconciliations**

The reconciliation of the statement of governmental fund revenues, expenditures, and changes in fund balance to the statement of activities for the year ended June 30, 2022, was as follows:

Net change in fund balance (deficit) – governmental fund	\$ 1,780,687
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Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund	2,504
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Expenditures for capitalized assets	22,680
Depreciation/amortization expense	<u>(257,290)</u>
Net	(234,610)

Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	<u>10,296</u>
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Change in net position of governmental activities	<u><u>\$ 1,558,877</u></u>
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**Note 9 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, through EAC, carries commercial insurance for all such risks of loss, including workers’ compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Gila County Provisional Community College District  
(Gila Community College)  
Required Supplementary Information  
Budgetary Comparison Schedule - General Fund  
Year Ended June 30, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>			
Property taxes	\$ 5,374,401	\$ 5,429,907	\$ 55,506
State appropriations	723,700	1,405,659	681,959
Smart and Safe Arizona Fund appropriations	138,992	395,577	256,585
Charges for services		35,373	35,373
Operating grants and contracts	80,000	616,163	536,163
Investment earnings	7,000	3,097	(3,903)
Other		2,225	2,225
Total revenues	<u>6,324,093</u>	<u>7,888,001</u>	<u>1,563,908</u>
<b>Expenditures:</b>			
Educational and general	6,922,266	5,980,834	941,432
Debt service:			
Principal retirement		10,296	(10,296)
Capital outlay	<u>367,299</u>	<u>116,184</u>	<u>251,115</u>
Total expenditures	<u>7,289,565</u>	<u>6,107,314</u>	<u>1,182,251</u>
<b>Fund balance (deficit):</b>			
July 1, 2021	<u>5,548,885</u>	<u>5,697,248</u>	<u>148,363</u>
June 30, 2022	<u>\$ 4,583,413</u>	<u>\$ 7,477,935</u>	<u>\$ 2,894,522</u>

See accompanying note to budgetary comparison schedule

Gila County Provisional Community College District  
(Gila Community College)  
Required Supplementary Information  
Note to Budgetary Comparison Schedule – General Fund  
June 30, 2022

**Note 1 – Budgeting and budgetary control**

A.R.S. requires the District to prepare and adopt a balanced budget annually for each governmental fund. The Governing Board must approve the operating and capital outlay budgets on or before June 20. The Governing Board shall not adopt the budget if the property tax requirements of the budget, excluding amounts budgeted and levied for secondary property taxes, exceed the amounts established by statute. The budget must contain the estimated cost of all operating, capital outlay, and debt service expenditures. The District budgets all General Fund expenditures in total since all costs are paid through the agreement with Eastern Arizona College (EAC).

**Note 2 – Budgetary basis of accounting**

The District's budget is prepared on a basis consistent with generally accepted accounting principles, except for the beginning unrestricted General Fund balance presented on the General Fund's Budgetary Comparison Schedule, which is budgeted on the cash basis.



**Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards***

The Arizona Auditor General  
The Governing Board of  
Gila County Provisional Community College District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and General Fund of Gila County Provisional Community College District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Scottsdale, Arizona  
March 25, 2023