Department of Corrections
Arizona Correctional Industries

REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Subject

The Arizona Correctional Industries (ACI) issues financial statements annually. ACI is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether ACI has met its responsibilities.

Our Conclusion

The information in ACI's financial statements is fairly stated in all material respects and the financial statements can be relied upon. Also, ACI maintained adequate internal controls over financial reporting. This information is also incorporated in the State's *Comprehensive Annual Financial Report*.
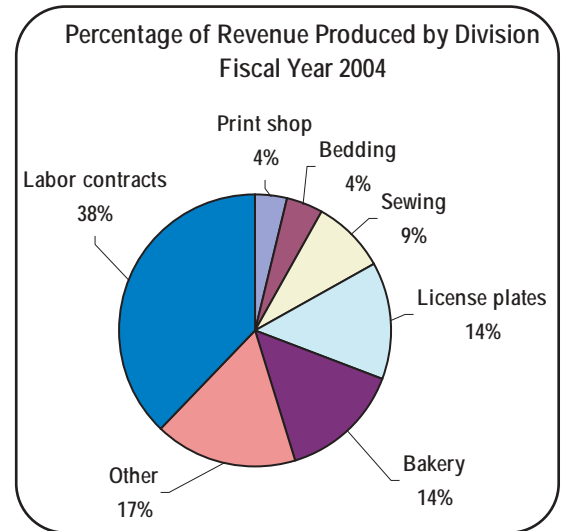
2004

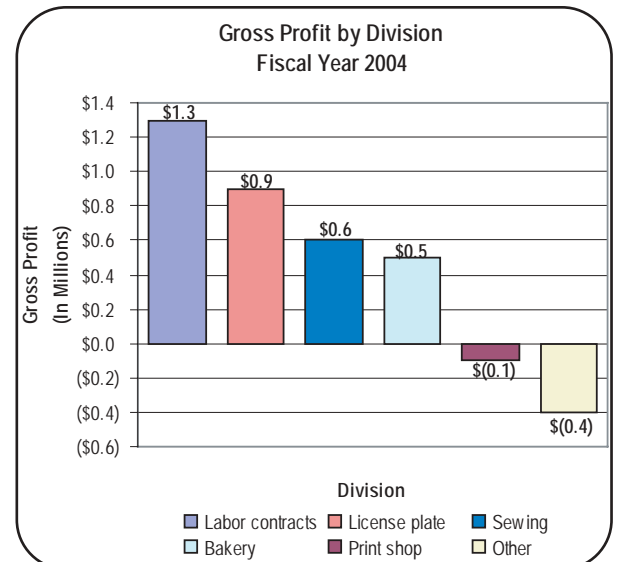**Year Ended June 30, 2004**

Revenues Earned from Various Sources

Arizona Correctional Industries (ACI) develops and manages revenue-generating inmate work activities in the State's correctional institutions. ACI receives no state appropriations and relies solely on revenues generated by its business activities to support its operations. ACI operates 19 divisions that include 43 enterprise activities such as manufacturing, farming, data processing, graphic arts, and public and private inmate labor service contracts.

Percentage of Revenue Produced by Division
Fiscal Year 2004

- Print shop 4%
- Bedding 4%
- Sewing 9%
- License plates 14%
- Bakery 14%
- Other 17%
- Labor contracts 38%

Profitablity by Division in Fiscal Year 2004

Arizona Revised Statutes require ACI to be profitable. For fiscal year 2004, ACI experienced $2.8 million in gross profit compared to a $1.4 million for fiscal year 2003. Gross profit, which compares sales with the cost of producing the goods sold, is an indication of how efficiently a business activity uses its materials and labor in the production process. The table at the right describes the gross profit or loss for ACI's largest divisions.

Gross Profit by Division
Fiscal Year 2004

Gross Profit (In Millions)

- Labor contracts $1.3
- License plate $0.9
- Sewing $0.6
- Bakery $0.5
- Print shop $(0.1)
- Other $(0.4)

Division

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Year Ended June 30, 2004