



REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Subject

Gila County Provisional Community College District issues financial statements annually. The District is responsible for preparing its financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the District has met its responsibilities.

Our Conclusion

The information in the District's financial statements is fairly stated in all material respects, except for the information related to the District's capital assets. A summary of this information is presented on page 2. The District did not meet its responsibilities to maintain strong internal controls over capital assets. In addition, auditors identified other internal control weaknesses and an instance of noncompliance. The most significant findings are summarized to the right.



2007

Year Ended June 30, 2007

Summary of audit findings

The auditors found material internal control weaknesses over financial statement preparation, capital assets, and the District's monitoring of contracted services and operating agreements. As a result of the capital asset deficiencies noted, auditors were unable to determine whether the capital assets balance at June 30 was accurate and, therefore, issued a qualified opinion on the District's financial statements. The Report on Internal Control and Compliance contains further details and auditor recommendations to help correct these weaknesses. The most significant findings are summarized below.

Financial statement preparation—The District's financial statements were not issued in a timely manner, as they were issued almost 5 years after fiscal year-end. The District did not have anyone with accounting expertise to oversee the financial statement preparation to ensure the financial statements were complete and accurate, prepared in a timely manner, and prepared in accordance with generally accepted accounting principles.

Capital assets—The District did not have policies and procedures to safeguard, account for, and report its capital assets. Specifically, the District did not maintain a detailed and complete list of its capital assets because it did not perform a physical inventory, and did not tag individual capital assets and record their locations. Also, the District did not record current

year additions and disposals of capital assets, and did not evaluate whether its equipment leases should have been capitalized. Further, the District did not assign the responsibility for controlling its capital assets to a specific employee until 2010.

Monitoring education services and operating agreements—Approximately 98 percent of the District's total expenses for the year were for contracted educational programs and services provided by Eastern Arizona College. However, the District did not adequately monitor or oversee the billing or contracted agreements with EAC. As a result, the District risked not receiving the services and financial information specified by the agreements' terms and conditions, and could have been billed for incorrect amounts.

Summary of financial information

A condensed summary of the District's basic financial statements follows:

Statement of net assets—This statement reports all of the District's assets and liabilities with the difference between the two reported as net assets. Net assets are reported in three major categories:

- Invested in capital assets shows the equity in land, buildings, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets shows the net resources available for general operations.

Statement of activities—This statement shows how net assets changed during the year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues raised for general purposes). The change in net assets indicates whether the District's financial health has improved or deteriorated as a result of current year activities. Total expenses increased nearly \$757,000 and total revenues increased approximately \$268,000 when compared to the prior year. The District's net assets increased by approximately \$56,000 during the current year.

Condensed Statement of Net Assets June 30, 2007 (In Thousands)	
Assets:	
Current assets	\$3,031
Capital assets, net	171
Total assets	<u>3,202</u>
Liabilities:	
Current liabilities	1,603
Total liabilities	<u>1,603</u>
Net Assets:	
Invested in capital assets	171
Unrestricted	<u>1,428</u>
Total net assets	<u>\$1,599</u>

Condensed Statement of Activities Year Ended June 30, 2007 (In Thousands)	
Program revenues:	
Operating grants and contracts	\$ 68
Total program revenues	<u>68</u>
General revenues:	
Property taxes	2,542
State appropriations	360
Gila County allocation	250
Investment earnings	51
Gain on sale of assets	24
Other	<u>128</u>
Total general revenues	<u>3,355</u>
Total revenues	<u>3,423</u>
Expenses:	
Education and general	<u>3,367</u>
Total expenses	<u>3,367</u>
Change in net assets	<u>56</u>
Net assets—beginning	<u>1,543</u>
Net assets—ending	<u>\$1,599</u>

TO OBTAIN
MORE INFORMATION

Copies of the financial statements and Report on Internal Control and Compliance are available at:
www.azauditor.gov

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Year Ended June 30, 2007