



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Financial Statements and Report on Internal Control and
on Compliance

**Gila County Provisional
Community College District**

(Gila Community College)

Year Ended June 30, 2008



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov

Gila County Provisional Community College District
(Gila Community College)
Financial Statements and Report on Internal Control and on Compliance
Year Ended June 30, 2008

Table of Contents	Page
Independent Auditors' Report	
Required Supplementary Information—Management's Discussion and Analysis	i
Governmental Fund Balance Sheet/Statement of Net Assets	1
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities	2
Notes to Financial Statements	3
Other Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	11
Note to Budgetary Comparison Schedule—General Fund	12
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 <i>Government Auditing Standards</i>	13
Schedule of Findings and Recommendations	15
District Responses	21



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Gila County Provisional Community College District

We were engaged to audit the accompanying 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, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management.

The financial statements referred to above include only the governmental activities and General Fund of Gila County Provisional Community College District. The financial statements do not include financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District. The amounts by which this departure would affect the District's financial statements are not reasonably determinable.

In our opinion, because of the omission of the aggregate discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the aggregate discretely presented component units of Gila County Provisional Community College District as of June 30, 2008, or the changes in financial position thereof for the year then ended.

Gila County Provisional Community College District had inadequate internal controls over its accounting system and had incomplete and inadequate accounting records for program revenues and the related education and general expenses, capital assets, leases, and subsequent event and other disclosures. As a result, we could not rely on the District's accounting system to generate reliable information. Further, the District's records did not permit us to apply auditing procedures sufficient to determine whether the amounts reported for program revenues and the related education and general expenses, capital assets, leases, and subsequent event and other disclosures were accurate and complete.

Since Gila County Provisional Community College District did not maintain adequate internal controls over its accounting system and had incomplete and inadequate accounting records for program revenues and the related education and general expenses, capital assets, leases, and subsequent event and other disclosures and we were not able to apply auditing procedures to satisfy ourselves as to the amounts reported for program revenues and the related education and general expenses, capital assets, leases, and subsequent event and other disclosures, the scope of our work was not sufficient to enable us to express, and we do not express, opinions on the financial statements of Gila County Provisional Community College District as of and for the year ended June 30, 2008.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages i through iv and the Budgetary Comparison Schedule—General Fund on pages 11 and 12 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards because the District did not maintain adequate internal controls over its accounting system and had incomplete and inadequate accounting records for program revenues and the related education and general expenses, capital assets, leases, and subsequent event and other disclosures. Accordingly, we do not express an opinion or provide any assurance on the information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

October 31, 2013



- **Gila Pueblo Campus:** PO Box 2656 Globe, AZ 85502 Phone: (928) 425-8481 Fax: (928) 425-8492
- **Payson Campus:** PO Box 359 Payson, AZ 85547 Phone: (928) 468-8039 Fax: (928) 468- 8043
- **San Carlos Campus:** PO Box 152 San Carlos, AZ 85550 Phone: (928) 475-5981 Fax: (928) 475-5983

Management's Discussion and Analysis

Our discussion and analysis of the Gila County Provisional Community College District's (District) financial performance provides an overview of the District's financial position and activities for the year ended June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow.

Financial Statements

The District's annual financial statements were prepared in conformity with U.S. generally accepted accounting principles (GAAP). 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 combined, with a reconciliation shown between them.

The Governmental Fund Balance Sheet/Statement of Net Assets and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities combines information about the reporting government as a whole and fund statements to 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 to aid financial management by segregating transactions related to certain district functions or activities.

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 must contract with an accredited community college district to provide educational programs and services.

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, 2015. 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 exercises primary tax levy authority for the generation of funds and collects other general and program revenues to pay for the contracted education and 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 Assets* on page 1 reflects the District's assets, liabilities, and net assets. The *Statement of Activities* on page 2 presents the District's operations. Over time, increases or decreases in net assets 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 assets and the changes in net assets for the years ended June 30, 2008 and 2007.

Net Assets As of June 30, 2008 and 2007

	<u>June 30, 2008</u>	<u>June 30, 2007</u> <u>(As restated)*</u>	<u>Increase/(Decrease)</u>
Assets:			
Current assets	\$3,625,496	\$3,030,964	\$ 594,532
Capital assets, net of accumulated depreciation	<u>389,682</u>	<u>311,650</u>	<u>78,032</u>
Total assets	<u>4,015,178</u>	<u>3,342,614</u>	<u>672,564</u>
Liabilities:			
Other liabilities	2,841,973	1,615,862	1,226,111
Long-term liabilities	<u>17,163</u>	<u>27,819</u>	<u>(10,656)</u>
Total liabilities	<u>2,859,136</u>	<u>1,643,681</u>	<u>1,215,455</u>
Net Assets:			
Invested in capital assets, net of related debt	372,519	283,831	88,688
Unrestricted	<u>783,523</u>	<u>1,415,102</u>	<u>(631,579)</u>
Total net assets	<u>\$1,156,042</u>	<u>\$1,698,933</u>	<u>\$ (542,891)</u>

* The 2007 amounts were adjusted for prior-period corrections. See Note 8 on page 10 for more information.

*Changes in Net Assets
For the Years Ended June 30, 2008 and 2007*

Expenses:	<u>June 30, 2008</u>	<u>June 30, 2007</u> <u>(As restated)*</u>	<u>Increase/(Decrease)</u>
Education and general	\$4,281,270	\$3,331,579	\$ 949,691
Interest on long-term debt	<u>1,951</u>	<u>2,705</u>	<u>(754)</u>
Total expenses	<u>4,283,221</u>	<u>3,334,284</u>	<u>948,937</u>
Revenues:			
Program revenues:			
Operating grants and contracts	<u>120,521</u>	<u>55,892</u>	<u>64,629</u>
Total program revenues	<u>120,521</u>	<u>55,892</u>	<u>64,629</u>
General revenues:			
Property taxes	2,765,447	2,541,574	223,873
State appropriations	753,900	360,300	393,600
Gila County allocation		250,000	(250,000)
Investment earnings	49,093	50,724	(1,631)
Gain on sale of capital assets		24,037	(24,037)
Other	<u>51,369</u>	<u>127,867</u>	<u>(76,498)</u>
Total general revenues	<u>3,619,809</u>	<u>3,354,502</u>	<u>265,307</u>
Total revenues	<u>3,740,330</u>	<u>3,410,394</u>	<u>329,936</u>
Change in net assets	\$ (542,891)	\$ 76,110	<u>\$(619,001)</u>
Net assets:			
Beginning (as restated)	<u>1,698,933</u>	<u>1,622,823</u>	
Ending	<u>\$1,156,042</u>	<u>\$1,698,933</u>	

* The 2007 amounts were adjusted for prior-period corrections. See Note 8 on page 10 for more information.

Significant Variances

For the fiscal year ended June 30, 2008, the fifth year of operations for the District, the financial data presented above is for analysis and comparison of significant variances relative to assets, liabilities, net assets, revenues, and expenses.

- Total assets at June 30, 2008, were \$4,015,178, consisting primarily of cash and investments of \$3,515,216 and capital assets, net of depreciation, of \$389,682. Cash and investments increased \$543,460 primarily because of additional tax receipts and timing of payments to EAC made after year-end.
- The total liabilities, primarily representing current obligations for education and general expenses, increased by a net amount of \$1,215,455 to \$2,859,136, primarily because of an increase in the intergovernmental educational programs and services contract payable at year-end.
- The increase in general revenues is due to an increase in property tax and state appropriation revenues. Property tax revenues increased by \$223,873 as a result of increased assessed valuations of property within Gila County. State appropriations increased by \$393,600, primarily because of an increase in equalization aid resulting from increased student enrollment.
- The increase in education and general expenses of \$949,691 is primarily due to the expansion of the District's educational programs, resulting in EAC's hiring of additional full-time instructors and an increase in student enrollment.

- There was an overall decrease in net assets of \$542,891 for the year ended June 30, 2008, due to grant funding for the nursing program that was less than the District anticipated. Also, the District had an increase in education and general expenses as a result of the nursing program expansion and the addition of more full-time instructors to accommodate the increase in student enrollment.

General Fund Budget

The District's actual education and general expenditures were \$771,304 less than budgeted amounts because of management's cost-effective approach to spending.

Total revenues were \$255,485 less than budgeted. The Gila County allocation was \$250,000 less than budgeted amounts because of the termination of this allocation from Gila County for fiscal year 2008. In addition, the difference in budgeted compared to actual investment earnings was primarily because of a budgeting oversight by the District, which led to a variance of \$150,907 less than budgeted. In addition, other revenues could not be budgeted because they were unanticipated.

The District's actual beginning fund balances were \$602,257 less than budgeted due to changes in estimated fund balances between the time the budget was initially prepared and the year-end actual results.

Additional budgetary information can be found on pages 11 and 12 of this report.

Capital Assets and Debt Administration

Capital Assets. The District's capital assets, net of accumulated depreciation, were \$389,682, which comprised equipment, vehicles, and library books. This is a net increase of \$78,032 from the prior year, as restated. The increase can be attributed to additions for newly acquired library books and purchases of fitness and classroom networking instruction TV equipment and office equipment.

Additional information on the District's capital assets can be found in Note 3 and Note 8 in the notes to the financial statements on pages 7 and 10, respectively.

Debt Administration. At year-end, the District had \$17,163 in capital lease long-term debt outstanding, of which \$10,140 was due within 1 year. This represents a decrease of \$10,656 due to principal retirement.

Current Factors Having Probable Future Financial Significance

In fiscal year 2009, the District experienced a 26 percent increase in student enrollment. Many of these students received partial tuition waivers through EAC, resulting in an overall operating cost increase that was billed to the District net of tuition collected by EAC, and continued to have an increased cost in future years. Also, in fiscal year 2009, the District received an American Recovery and Reinvestment Act grant. In fiscal year 2010, the District reduced staff hours by implementing a 4-day workweek through furloughs as well as a 30 percent increase in tuition rates. In November 2011, the District was transferred ownership of the Pueblo (Globe) campus and 32.459 acres of the Payson campus from Gila County. In this transfer, the District assumed the responsibility for the ongoing maintenance and operating costs of these facilities with limited financial assistance from Gila County.

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 Governing Board member Robert S. Ashford at (928) 425-8481.

Gila County Provisional Community College District
(Gila Community College)
Governmental Fund Balance Sheet/Statement of Net Assets
June 30, 2008

	<u>Balance Sheet— General Fund</u>	<u>Reconciliation (Note 5)</u>	<u>Statement of Net Assets— Governmental Activities</u>
Assets			
Current assets:			
Cash and investments	\$ 3,515,216		\$ 3,515,216
Property taxes receivable	81,692		81,692
Due from other governments	28,588		28,588
Total current assets	<u>3,625,496</u>		<u>3,625,496</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation		\$ 389,682	389,682
Total noncurrent assets		<u>389,682</u>	<u>389,682</u>
Total assets	<u>\$ 3,625,496</u>	<u>389,682</u>	<u>4,015,178</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 7,144		7,144
Due to other governments	2,829,536		2,829,536
Deferred revenue	71,433	(66,140)	5,293
Current portion of long-term debt		10,140	10,140
Total current liabilities	<u>2,908,113</u>	<u>(56,000)</u>	<u>2,852,113</u>
Noncurrent liabilities			
Long-term debt		7,023	7,023
Total noncurrent liabilities		<u>7,023</u>	<u>7,023</u>
Total liabilities	<u>2,908,113</u>	<u>(48,977)</u>	<u>2,859,136</u>
Fund balances/Net assets			
Fund balances:			
Unreserved	717,383	(717,383)	
Total fund balances	<u>717,383</u>	<u>(717,383)</u>	
Total liabilities and fund balances	<u>\$ 3,625,496</u>	<u>(766,360)</u>	
Net assets:			
Invested in capital assets, net of related debt		372,519	372,519
Unrestricted		783,523	783,523
Total net assets		<u>\$ 1,156,042</u>	<u>\$ 1,156,042</u>

See accompanying notes to financial statements.

Gila County Provisional Community College District
(Gila Community College)
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities
Year Ended June 30, 2008

	<u>General Fund</u>	<u>Reconciliation (Note 5)</u>	<u>Statement of Activities— Governmental Activities</u>
Expenditures/Expenses:			
Education and general	\$ 4,064,311	\$ 216,959	\$ 4,281,270
Debt service			
Principal retirement	10,656	(10,656)	
Interest on long-term debt	1,951		1,951
Capital outlay	<u>294,991</u>	<u>(294,991)</u>	
Total expenditures/expenses	<u>4,371,909</u>	<u>(88,688)</u>	<u>4,283,221</u>
Program revenues:			
Operating grants and contracts	<u>120,521</u>		<u>120,521</u>
Total program revenues	<u>120,521</u>		<u>120,521</u>
Net program expenses	<u>4,251,388</u>	<u>(88,688)</u>	<u>4,162,700</u>
General revenues:			
Property taxes	2,746,111	19,336	2,765,447
State appropriations	753,900		753,900
Investment earnings	49,093		49,093
Other	<u>51,369</u>		<u>51,369</u>
Total general revenues	<u>3,600,473</u>	<u>19,336</u>	<u>3,619,809</u>
Net change in fund balances	(650,915)	650,915	
Change in net assets		(542,891)	(542,891)
Fund balances/Net assets:			
July 1, 2007, as restated	<u>1,368,298</u>	<u>330,635</u>	<u>1,698,933</u>
June 30, 2008	<u>\$ 717,383</u>	<u>\$ 438,659</u>	<u>\$ 1,156,042</u>

See accompanying notes to financial statements.

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2008

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).

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government), but do not include the financial statements of its legally separate component units consisting of the Gila Foundation for Higher Education and the Pinal Mountain Foundation. The financial information for the foundations was not included because audited financial statements are not available.

The foundations are legally separate, tax-exempt organizations. They act primarily as fund-raising organizations that receive gifts and bequests, administer those resources, and disburse payments to or on behalf of the District for scholarships and college development activities. Although the District does not control the timing or amount of receipts from the foundations, the foundations' restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the foundations are considered component units of the District and would be discretely presented as a separate column in the District's financial statements.

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, 2015. 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. EAC charges the District a fee of 25 percent of the total disbursements it processes.

District personnel are not directly employed by the District. All staff are directly employed by EAC. The cost of the personnel compensation and related benefits is paid to EAC through an intergovernmental agreement.

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2008

B. Basis of Presentation and Accounting

The financial statements include the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/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 Assets provides information about the assets, liabilities, and fund balance/net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy the District's obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Unrestricted net assets includes all other net assets, 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 Balances/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 assets 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. It accounts for all financial resources of the general government.

The fund financial statements, the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances, 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 funds to be available if the revenues are collected within 60 days after year-end. The District's major revenue sources that are 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. General capital asset acquisitions are reported as expenditures in the General Fund.

The government-wide financial statements, the Statement of Net Assets 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

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2008

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.

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

C. Cash and Investments

The District's cash and investments are considered to be 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. Donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Equipment	\$5,000	Straight-line	5 years
Vehicles	\$5,000	Straight-line	5 years
Library books	\$1	Straight-line	10 years

E. Property Tax Revenues

The District's property tax 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.

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2008

F. Investment Earnings

Investment earnings is composed of interest earned on the cash and investments and net changes in the fair value of investments held by the County Treasurer.

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. The statutes do 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 the property of another when making investment decisions about those monies. The statutes do 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, 2008, the carrying amount of the District's deposits was \$3,363,106, and the bank balance was \$3,363,106. The District does not have a formal policy with respect to custodial credit risk for deposits. At June 30, 2008, \$3,263,106 of the District's bank balance was exposed to custodial credit risk since it was uninsured with collateral held by the pledging financial institution.

Investments—The District's investments at June 30, 2008, were as follows:

Investment Type	Amount
County Treasurer's investment pool	\$152,110

The District's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments, and therefore, it is not subject to custodial credit risk. The pool's structure does not provide for shares. The District does not have a formal policy regarding custodial credit risk for investments.

Credit risk—The District does not have a formal policy with respect to credit risk. At June 30, 2008, credit risk for the District's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
County Treasurer's investment pool	Unrated	Not applicable	\$152,110

Interest rate risk—The District does not have a formal policy regarding interest rate risk for investments. At June 30, 2008, the District had the following investments:

Investment Type	Investment Maturities	
	Amount	Less than 1 year
County Treasurer's investment pool	\$152,110	\$152,110

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2008

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

Cash, deposits, and investments:		Statement of Net Assets:	
Deposits	\$3,363,106	Cash and investments	\$3,515,216
Investments	<u>152,110</u>		
Total	<u>\$3,515,216</u>	Total	<u>\$3,515,216</u>

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007 (As restated)	Increases	Decreases	Balance June 30, 2008
Capital assets being depreciated:				
Equipment	\$604,715	\$104,611	\$	\$ 709,326
Vehicles	132,352	6,000		138,352
Library books	<u>240,866</u>	<u>40,168</u>		<u>281,034</u>
Total capital assets being depreciated	<u>977,933</u>	<u>150,779</u>		<u>1,128,712</u>
Less accumulated depreciation for:				
Equipment	495,830	41,554		537,384
Vehicles	116,353	5,433		121,786
Library books	<u>54,100</u>	<u>25,760</u>		<u>79,860</u>
Total accumulated depreciation	<u>666,283</u>	<u>72,747</u>		<u>739,030</u>
Total capital assets, net of accumulated depreciation	<u>\$311,650</u>	<u>\$ 78,032</u>	<u>\$ -</u>	<u>\$ 389,682</u>

The July 1, 2007, capital asset balances do not agree to the June 30, 2007, audited financial statements because of the recognition of capital assets not previously recorded and the elimination of assets that were previously included but under the District's capitalization threshold. See Note 8 on page 10 for more information.

Note 4 - Due to Other Governments

At June 30, 2008, the District had reported a total amount due to other governments of \$2,829,536. Of this amount, \$2,473,716 is owed to EAC for providing educational programs and services during the year. The remaining \$355,820 is payable to the Arizona State Treasurer.

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2008

Note 5 - Reconciliations

The reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets at June 30, 2008, was as follows:

Fund balances—governmental fund	\$ 717,383
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental fund.	66,140
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	389,682
Long-term capital lease liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(17,163)</u>
Net assets of governmental activities	<u>\$1,156,042</u>

The reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities for the year ended June 30, 2008, was as follows:

Net change in fund balances—governmental fund	\$(650,915)
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 governmental fund.	19,336
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are capitalized is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capitalized assets	150,779
Depreciation expense	<u>(72,747)</u>
Net capital outlay	78,032
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets.	<u>10,656</u>
Change in net assets of governmental activities	<u>\$(542,891)</u>

Note 6 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2008:

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2008

	Balance July 1, 2007 (As Restated)	Additions	Reductions	Balance June 30, 2008	Due Within 1 Year
Capital leases payable	<u>\$27,819</u>	<u>\$</u>	<u>\$10,656</u>	<u>\$17,163</u>	<u>\$10,140</u>
Total long-term debt	<u>\$27,819</u>	<u>\$</u>	<u>\$10,656</u>	<u>\$17,163</u>	<u>\$10,140</u>

The July 1, 2007, long-term debt balance does not agree to the June 30, 2007, financial statements due to the recognition of capital leases payable not previously recorded.

Capital leases—The District has acquired copier equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or are in place for greater than 75 percent of the economic life of the asset.

The assets acquired through capital leases that meet the District's capitalization threshold are as follows.

Equipment	\$51,379
Less: accumulated depreciation	<u>34,411</u>
Carrying value	<u>\$16,968</u>

The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2008:

Year ending June 30:	
2009	\$11,276
2010	4,614
2011	<u>3,077</u>
Total minimum lease payments	18,967
Less: amount representing interest	<u>(1,804)</u>
Present value of net minimum lease payments	<u>\$17,163</u>

Note 7 - 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 its operating agreement with EAC, participates in the Arizona School Risk Retention Trust, Inc., a public-entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, boiler and machinery, and commercial crime risks. The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any one year. The District will be charged for any such assessment in the following year. The District has never been charged such an

Gila County Provisional Community College District
(Gila Community College)
Notes to Financial Statements
June 30, 2008

assessment. Additionally, the District has commercial insurance for automobile coverage and to insure against other 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 3 fiscal years.

Note 8 - Prior-Period Adjustment

The July 1, 2007, General Fund balances and government activities net assets do not agree to the prior year's financial statements, and have been restated to correct the following errors. Items below the capitalization threshold were removed from the listing of capital assets, and library books not previously identified and capitalized have been recorded as capital assets. Leases previously reported as operating leases have been reclassified as capital leases, and the related assets meeting the District's capitalization threshold have been recorded. Revenue was incorrectly recorded in excess of allowable grant expenditures recognized in the prior year.

	General Fund	Governmental Activities
Fund balances/net assets, June 30, 2007, as previously reported	\$1,380,786	\$1,599,197
Assets below capitalization threshold		(73,968)
Recognition of library books as capital assets, net of accumulated depreciation		186,766
Assets acquired through capital leases, net of accumulated depreciation		27,245
Capital lease liability		(27,819)
Grant revenue recognized in excess of expenditures	(12,488)	(12,488)
Fund balances/net assets, July 1, 2007, as restated	<u>\$1,368,298</u>	<u>\$1,698,933</u>

Note 9 - Subsequent Events

In August 2008, the District acquired under the terms of a 5-year capital lease agreement a modular building at the Gila Pueblo campus to be used for operations of a cosmetology program. The value of the building, including the lease and improvements, is \$157,884.

In August 2008, the District entered into a lease-purchase agreement in the amount of \$30,000 to acquire a building for the operation of the Hayden Wellness Center.

In November 2011, the District received by way of transfer from Gila County the deed ownership of the land and facilities used for operations of the Globe campus and 32.459 acres of the Payson campus with an original cost recorded by Gila County of \$4.8 million and \$3.1 million, respectively. An assessed valuation for the property and buildings is pending.

Gila County Provisional Community College District
(Gila Community College)
Required Supplementary Information
Budgetary Comparison Schedule—General Fund
Year Ended June 30, 2008

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 2,712,579	\$ 2,746,111	\$ 33,532
State appropriations	753,900	753,900	
Gila County allocation	250,000		(250,000)
Operating grants and contracts	60,000	120,521	60,521
Investment earnings	200,000	49,093	(150,907)
Other	<u> </u>	<u>51,369</u>	<u>51,369</u>
Total revenues	<u>3,976,479</u>	<u>3,720,994</u>	<u>(255,485)</u>
Expenditures:			
Education and general	4,835,615	4,064,311	771,304
Debt service			
Principal retirement		10,656	(10,656)
Interest on long-term debt		1,951	(1,951)
Capital outlay	<u>340,601</u>	<u>294,991</u>	<u>45,610</u>
Total expenditures	<u>5,176,216</u>	<u>4,371,909</u>	<u>804,307</u>
Net change in fund balances	(1,199,737)	(650,915)	548,822
Fund balances:			
July 1, 2007, as restated	<u>1,970,555</u>	<u>1,368,298</u>	<u>(602,257)</u>
June 30, 2008	<u>\$ 770,818</u>	<u>\$ 717,383</u>	<u>\$ (53,435)</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, 2008

Note - Budgeting and Budgetary Control

Arizona Revised Statutes require the District to prepare and adopt a budget annually. 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 EAC.

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



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**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***

Members of the Arizona State Legislature

The Governing Board of
Gila County Provisional Community College District

We were engaged to audit 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, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2013. Our report was modified for an adverse opinion and disclaimers of opinions on the basic financial statements of Gila County Provisional Community College District.

Internal Control over Financial Reporting

The District's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 08-01, 08-02, and 08-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of 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 determination of financial statement amounts. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Recommendations as item 08-04.

Gila County Provisional Community College District's responses to the findings identified in our audit are presented on pages 21 through 22. We did not audit the District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the District's Governing Board, management, and others at the District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport
Auditor General

October 31, 2013

Gila County Provisional Community College District
(Gila Community College)
Schedule of Findings and Recommendations
June 30, 2008

Financial Statement Findings

08-01

The District needs to establish internal controls over recordkeeping to issue reliable financial statements

Criteria: The District must issue accurate and timely financial statements to satisfy the audit requirements imposed by federal and state laws, regulations, and grant contracts. In addition, the District's Governing Board depends on accurate information so it can demonstrate fiscal accountability to the public and agencies from which the District receives funding. Therefore, district management has the responsibility to establish internal controls for maintaining a sound accounting system and adequate records so that it can prepare reliable financial statements for its stakeholders.

Condition and context: The District contracted its financial statement preparation activities and, accordingly, was responsible for providing all financial information to its contracted financial statement preparers. However, district management did not have the necessary finance and accounting expertise to oversee this work and evaluate whether the accounting records and financial statements were accurate and complete. Additionally, the District lacked internal control policies and procedures for maintaining its accounting system, and had incomplete and inadequate accounting records of program revenues and the related education and general expenses, capital assets, leases, and subsequent event and other disclosures. Finally, the District did not prepare financial data or obtain separately audited financial statements for its legally separate component units, composed of nonprofit foundations, that should be included in the District's financial statements. Specifically, auditors noted the following deficiencies:

- **Inadequate recordkeeping**—The District's accounting system had not been updated for all year-end and audit adjustments for fiscal years 2006 and 2007. Also, the District maintained other accounting records outside of the accounting system. As such, the accounting system and records were not managed in a way that ensured that all information was included in the financial statements. In addition, the District's operating and educational services provider, Eastern Arizona College (EAC), maintained the District's accounting records for various program revenues, such as federal, state, and local grants, and the related education and general expenses. Although the District obtained the grant award agreements and corresponding schedules of revenues and expenses for this activity from EAC, it did not ensure that this information was provided to the contracted financial statement preparers so that the financial activity could be reported. Finally, auditors found that the District maintained hard copy documents and records, such as various cash receipt and disbursement logs, for which the transactions were not reconciled and entered into the accounting system. This discovery also revealed other internal control problems. For example, the accounting records consisting of these logs included transactions for both the District and EAC; consequently, auditors were unable to distinguish which cash receipts and disbursements belonged to which district. Further, auditors noted that duplicate payments were often made for invoices because EAC paid a vendor and the District paid the same vendor, unaware that EAC had already made payment, resulting in several overpayments that were subsequently returned to the District.

Gila County Provisional Community College District
(Gila Community College)
Schedule of Findings and Recommendations
June 30, 2008

- **Inadequate controls over capital assets and leases**—The District did not have adequate internal controls over capital assets and leases to ensure that the amounts reported for these balances were accurate and complete. Specifically, the District did not have policies and procedures for controlling and accounting for capital assets, had not performed a physical inventory of capital assets, and did not have a sufficiently detailed list of capital assets that uniquely identified each item. Further, the District had not assigned anyone at the District with the responsibility for controlling capital assets. In addition, the District did not maintain adequate records for lease agreements and did not provide all lease agreements to the contracted financial statement preparers to ensure that each lease was evaluated for the proper classification as either an operating or capital lease. Consequently, auditors identified several leases that were misclassified as operating leases when they were capital leases. As a result, the District restated its beginning balances for capital assets and leases to record equipment acquired through capital leases, record its collection of library books, and remove items that were incorrectly capitalized because they were below the District's capitalization threshold.
- **Inadequate controls over other financial reporting and disclosure requirements**—The District did not have policies and procedures for obtaining and evaluating the financial data of its legally separate nonprofit foundations for inclusion in the District's financial statements. In addition, the District did not ensure that information and records related to subsequent event and other disclosures were provided to the contracted financial statement preparers, and did not have policies and procedures for ensuring that all material, related party transactions were disclosed, as described in finding 08-03.

Cause and effect: The District provides higher education to Gila County residents through intergovernmental agreements with another community college district. Unlike other community college districts, the District has only a small number of administrative staff with no finance and accounting personnel, and operates under an agreement with Eastern Arizona College (EAC), who is responsible for hiring district employees. Accordingly, the District's financial statements were prepared by contracted consultants. However, the District's administrative staff did not have the necessary expertise to establish effective internal controls over the accounting system and records, and provide oversight to ensure that the financial statements were accurate and complete. Because of the deficiencies described above, the District's financial statements could not be audited and were not issued in a timely manner, as they were issued nearly 5 years after fiscal year-end.

Recommendation: The District should take the steps necessary to correct the above deficiencies involving its accounting system and records. To achieve this, the District may either employ qualified personnel or hire consultants to perform day-to-day accounting functions and compile the financial statements. However, if the District contracts these functions to consultants, it should ensure that it has the personnel qualified to oversee these functions. It also should ensure that it has established internal control policies and procedures for maintaining its accounting system and records, and that it provides sufficient guidance and oversight for this work to ensure that the financial statements are accurate, complete, and prepared in timely manner.

Gila County Provisional Community College District
(Gila Community College)
Schedule of Findings and Recommendations
June 30, 2008

Specifically, the District should:

- Employ or contract with persons who have the necessary finance and accounting expertise to oversee the District's recordkeeping and financial statement preparation.
- Establish and implement policies and procedures for various areas, such as maintaining the accounting system and records; preparing and approving journal entries; recording and safeguarding capital assets; collecting, reconciling, depositing, and recording cash receipts; and processing disbursements.
- Gather all accounting records, including those maintained by EAC, and ensure that all information is reconciled and entered into the accounting system so that it is included in the financial statements. Additionally, this information should be carefully reviewed for accuracy and so that duplicate payments are not made to vendors. This information should also be reconciled to the education and general expenses EAC bills to the District to ensure that the billing invoice is accurate and is in accordance with the educational services agreement.
- Keep separate accounting records, such as cash receipt and disbursement logs, from those of EAC. In addition, reconcile all cash receipt and disbursement logs to ensure that all cash receipts were deposited and all cash disbursements were properly made, and that this activity was properly recorded in the accounting system.
- Deposit all cash receipts intact and record revenue and expense transactions separately, instead of as netted amounts.
- Perform a physical inventory of all capital assets at least once every 2 years, and update the capital assets list with the results of the inventory.
- Maintain a capital assets list that includes sufficient detail, such as the description, location, acquisition value, acquisition date, estimated useful life, and funding source for each capital asset having an acquisition value exceeding the District's capitalization threshold. Also, the District should account for each equipment and machinery item using a unique number, such as a tag or serial number, and physically identify them as district property.
- Evaluate and keep the agreements for all operating and capital leases to ensure that the leases are correctly classified and recorded. The District should also ensure that the equipment or machinery leased under the terms of capital lease agreements have been included on the capital assets list.
- Prepare financial data or obtain audited financial statements for the district foundations and evaluate them for inclusion in the District's financial statements as required by generally accepted accounting principles.
- Keep records of significant events, related party transactions, and other disclosures to help ensure that such information, if material, is adequately disclosed.

This finding is similar to a prior-year finding.

Gila County Provisional Community College District
(Gila Community College)
Schedule of Findings and Recommendations
June 30, 2008

08-02

The District needs to provide oversight and monitoring of its operating and educational services agreements

Criteria: The District should monitor and provide oversight for its operating and educational services agreements with Eastern Arizona College (EAC) to ensure that the services performed, financial information received, and amounts charged to the District are correct and in accordance with the agreements' terms and conditions.

Condition and context: Approximately 97 percent of the District's total expenses for the year were for contracted operational and educational services provided by EAC. Under the operating and educational services agreements, EAC collects revenue for the District. However, as described in finding 08-01, the District did not perform the necessary monitoring and oversight for these agreements. Specifically, the District did not prepare adequate accounting records for identifying and reconciling its revenues and expenses to the education and general expenses billed to the District by EAC. Auditors noted instances where the District was overbilled because revenues collected for educational program costs were not deducted from the billing invoice.

Effect: Without appropriate monitoring and oversight of its operating and educational services agreements, the District may not receive services and financial information that are specified by the agreements' terms and conditions. In addition, the District could be billed for incorrect amounts. For example, auditors' review of one check log revealed that the District overpaid EAC approximately \$3,500 for education and general expenses.

Cause: Unlike other community college districts, the District has only a small number of administrative staff with no finance department and operates under an agreement with EAC, which is responsible for hiring district employees. The District's administrative staff did not have the necessary expertise to implement effective oversight and monitoring of the operating and educational services agreements with EAC. Further, while the agreements allowed the District to obtain and review documentation at EAC supporting the amounts billed, the District did not perform such reviews.

Recommendation: To help ensure that the District receives the services and financial information specified by the agreements' terms and conditions and to help ensure that it is not overbilled for these services, the District should:

- Employ or contract with persons who have the necessary finance and accounting expertise to effectively oversee the operating and educational services agreements with EAC and to help look after the District's interests.
- Establish policies and procedures for monitoring the agreements. These policies and procedures should include obtaining sufficient documentation to support the revenues recorded and expenses billed and reviewing this information to ensure the amounts charged to the District are correct and in accordance with the agreements' terms and conditions.

Gila County Provisional Community College District
(Gila Community College)
Schedule of Findings and Recommendations
June 30, 2008

- Obtain from EAC all accounting records and detailed supporting documentation related to district activities as recommended in finding 08-01. This information should identify revenues and expenses belonging to the District. In addition, this information should be reconciled to the education and general expenses billed to the District by EAC to ensure that these revenues and expenses are given the appropriate accounting treatment on the billing invoice in accordance with the terms and conditions of the operating and educational services agreements with EAC. Any discrepancies noted should be investigated and resolved with EAC officials.

This finding is similar to a prior-year finding.

08-03

The District should establish policies and procedures for disclosing conflicts of interest and material related party transactions

Criteria: Arizona Revised Statutes (A.R.S.) §38-503 requires that the District's board members, elected officers, and employees make known any substantial interest they have in any contract, sale, purchase, or service, and refrain from voting upon or participating in any such matter. In addition, generally accepted accounting principles require the disclosure of material related party transactions in the financial statements.

Condition and context: While employees of EAC followed EAC's policies and procedures for disclosing conflicts of interest, the District's Governing Board did not have policies to ensure that conflicts of interest were disclosed, as required by state laws. Further, as mentioned in finding 08-01, the District did not have procedures to ensure that related party transactions were identified in the District's records and, if material, disclosed in the notes to the financial statements.

Effect: There is a risk of potential noncompliance with A.R.S. §38-503. Also, the District may enter into transactions that may not be the most advantageous to the District. Further, the occurrence of significant related party transactions may not be detected or disclosed in the notes to the financial statements.

Cause: The District did not have formal policies and procedures in place to ensure that all conflicts of interest and material related party transactions are identified and disclosed.

Recommendation: The District should establish written policies and procedures to help ensure compliance with state conflict-of-interest statutes and disclosure requirements for material related party transactions in the notes to the financial statements. These may include the following:

- Require its Governing Board members who have, or whose relatives have, a direct or indirect substantial interest in any district contract for goods or services to make that interest known in the District's Governing Board meeting minutes or other records.
- Maintain a file of all conflict-of-interest disclosures submitted for public inspection and update the file annually.

Gila County Provisional Community College District
(Gila Community College)
Schedule of Findings and Recommendations
June 30, 2008

- Ensure that Governing Board members and employees refrain from participating in transactions or decisions, such as contracts for goods or services, when they have a conflict of interest.

This finding is similar to a prior-year finding.

08-04

The District should prepare its Annual Budgeted Expenditure Limitation Report in a timely manner

Criteria: A.R.S. §41-1279.07(C) requires the District to submit its Annual Budgeted Expenditure Limitation Report (ABELR) to the Auditor General's Office within 4 months after fiscal year-end, or by February 28 if the Auditor General grants a 120-day extension.

Condition and context: The District failed to prepare and submit its ABELR for the year ended June 30, 2008, by the required statutory deadline of October 31, 2008.

Effect: The District could face sanctions if the District continues to not submit its ABELR by the deadline because it is not in compliance with A.R.S. §41-1279.07(C).

Cause: As described in finding 08-01, internal control weaknesses in financial reporting contributed to the required report not being prepared and submitted in a timely manner.

Recommendation: The District should establish policies and procedures to help ensure that it prepares and submits its Annual Budgeted Expenditure Limitation Report to the Auditor General of the State of Arizona each year by October 31, or by February 28 if a 120-day extension is granted, as required by A.R.S. §41-1279.07(C).

This finding is similar to a prior-year finding.

Gila County Provisional Community College District
(Gila Community College)
District Responses
June 30, 2008

08-01

The District needs to establish internal controls over recordkeeping to issue reliable financial statements

Name of contact person: Dr. Stephen Cullen, Senior Dean

Inadequate recordkeeping—The District contracted with an accounting firm in April 2009 who updated the general ledger at that time. Since then, the District has contracted with another accounting firm to prepare the financial statements and perform the ongoing bookkeeping. The bookkeeping by this firm began in July 2012. In addition, this firm currently has all documentation to render the financial statements for the fiscal years 2009 through 2012. Some of the findings outlined here are the same as noted in the previous year (FY2007).

Completion date: July 2012

Inadequate recordkeeping—The District no longer maintains accounting records outside of the accounting system. The check log was in place in prior years and has now been eliminated. During the time period of this audit a check log was used. The check log was eliminated in June 2010. The District now tracks all checks and deposits on a spreadsheet and they are reconciled against the District's bank statement each month to ensure that all checks and deposits are accurately recorded.

Completion Date: June 2010

Inadequate recordkeeping—Eastern Arizona College (EAC) still maintains the district accounting records for various federal, state, and local grants; however, the Fiscal Coordinator for the District now has access to the EAC's general ledger. By having access to EAC's general ledger, the Fiscal Coordinator can now monitor all revenue and expenses.

Completion Date: March 2009

Inadequate controls over capital assets and leases—The District continues to follow the policies of Eastern Arizona College relative to identifying capital assets. The District has implemented a system of tracking assets. The system was implemented in July 2010. Capital assets are defined as single items valued at \$5,000 or greater. The District's maintenance supervisor is responsible for placing asset tags on all capital assets and tracking capital assets. The Fiscal Coordinator maintains records of all capital assets.

Completion Date: July 2010

Inadequate controls over capital assets and leases—All contracts and leases are reviewed by Mr. Tim Curtis, CFO of EAC, prior to the District entering into the agreements. Mr. Curtis now provides oversight and assistance of the classification of all leases and agreements. This process was implemented in July 2010.

Completion Date: July 2010

Gila County Provisional Community College District
(Gila Community College)
District Responses
June 30, 2008

Inadequate controls over other financial reporting and disclosure requirements—Currently, the District receives a balance sheet and profit/loss statement from the Pinal Mountain Foundation for Higher Education (PMFHE) (Globe foundation). The District is in discussions with both PMFHE and Friends of Rim Country GCC (Payson foundation) to provide the District with financial statements complete with notes.

Completion Date: October 2013

08-02

The District needs to provide oversight and monitoring of its operating and educational services agreements

Name of contact person: Dr. Stephen Cullen, Senior Dean

Completion date: August 2011

The District now reconciles all statements submitted by Eastern Arizona College. The review is conducted by fiscal services manager Susan Gallo, Senior Dean Dr. Stephen Cullen, and the current president of the Gila Community College District Board. This process is undertaken prior to payment being issued to Eastern Arizona College. The process was implemented in August 2011. This finding is the same as noted in the previous year (FY2007).

08-03

The District should establish policies and procedures for disclosing conflicts of interest and material related party transactions

Name of contact person: Dr. Stephen Cullen, Senior Dean

Completion date: August 2012

The Gila Community College District Governing Board passed a policy on August 28, 2012, to establish a policy for disclosing conflicts of interest involving governing board members. This finding is the same as noted in the previous year (FY2007).

08-04

The District should prepare its Annual Budgeted Expenditure Limitation Report in a timely manner

Name of contact person: Dr. Stephen Cullen, Senior Dean

Anticipated completion date: November 2013

The accounting firm of Heinfeld and Meech now prepares the District's Annual Budgeted Expenditure Limitation Report. The firm began providing this service on November 8, 2011. This will be completed in accordance with A.R.S. 41-1279.07. This finding is the same as noted in the previous year (FY2007).